



NEWPORT
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OVERSEAS MOVING
BY MICHAEL GERSON
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WORLD NEWS

Fresh hope for release of hostages

Hopes rose for the 17 western hostages in Lebanon after the Shia Moslem cleric Sheikh Mohammad Hussein Fadlallah issued a plan to release them. Sheikh Fadlallah has close links with the Hezbollah, the umbrella organisation for the Shia Moslem militants who are holding the hostages.

The plea signals a fresh initiative by the Iranian Government on the issue. Page 3

Perrier lawsuit
Perrier, the French mineral water company which is recalling supplies due to contamination fears, received a lawsuit claiming millions of dollars damages. The lawsuit, filed in the US on behalf of consumers, accuses Perrier of knowingly selling contaminated water. Page 13

Britain lifts sanctions
The Government removed a ban on new investment and promoting tourism in South Africa in spite of opposition from the EC and many black South Africans. Page 4;

Thatcher denies she is isolated, Page 2;

Rolls-Royce closure
Rolls-Royce is closing its naval nuclear propulsion plant at Hartlepool, Cleveland, with the loss of 350 jobs. Page 4

Sellafield joint action
British Nuclear Fuels and trade unions will work together to reduce the risk of radiation exposure to staff at Sellafield. The move follows a report suggesting a direct link between child leukaemia victims in the area and radiation exposure to their fathers working at the site. Page 6

Mandela visit planned
African National Congress leader Nelson Mandela is to visit Tanzania next month for talks with government leaders and an expected tour of ANC military camps. Anglo chief to visit Mandela, Page 3

Soviet minister removed
Soviet minister Grigori Kryzhev, who presided over the use of troops to break up a demonstration in Alma-Ata, Kazakhstan in 1986, has been relieved of his duties amid calls for a reassessment of the disorders. Soviet security precautions, Page 2

Romanian crackdown
The Romanian Government issued a seven-point decree aimed at cracking down on violent demonstrations and said it would tighten security around official buildings.

Plots in Kenya
Anti-government riots erupted in Nairobi and the provincial city of Kisumu, Kenya, following the funeral of foreign minister Robert Ouko, who demonstrators believe was murdered. In Kisumu police fired tear gas after battling with several thousand people.

Court clears Kopp
Switzerland's Federal Criminal Court ruled former justice minister Elisabeth Kopp did not violate official secrecy laws when she warned her husband to quit a company suspected of laundering drug profits. Page 2

Duarte dies
Former Salvadoran President Jose Napoleon Duarte died yesterday after a two-year battle with cancer. He was 64. Obituary, Page 2

US soldiers killed
Two US soldiers died after their helicopter crashed in thick jungle in Panama and aircraft are searching for a second helicopter missing with nine men aboard.

Seal cull ban extended
Norway extended its ban on killing seal pups in the Arctic for a further year. It is also cutting the number of adult seals which hunters may kill from 38,500 to 34,400.

MARKETS

STERLING

New York luncheonette: \$1,110

London: 1,709 (1,714)

DM2,875 (2,829)

SF2,820 (2,826)

Y25,125 (25,025)

£ index 90.2 (90.3)

GOLD

New York: Comex Apr \$413.7

London: \$416.0 (417.75)

WTI CRUDE OIL (Argus)

Brent 15-day Apr \$19.275 (-0.10)

Chief price changes yesterday: Page 24

BUSINESS SUMMARY

Lloyds shows losses of £715m

Decision on EMS to be left to Major

By Philip Stephens, Political Editor

A DECISION on whether Britain takes up full membership of the European Monetary System before the next general election now appears to rest finally in the hands of Mr John Major, the Chancellor.

Ministers believe that Mrs Margaret Thatcher is no longer displaying the implacable opposition to membership which characterised her approach to the EMS exchange rate mechanism during the Chancellorship of Mr Nigel Lawson. "She is relaxed about it . . . there is a change of mood," one member of the cabinet commented.

Both Mr Douglas Hurd, the Foreign Secretary, and Sir Geoffrey Howe, the deputy prime minister, are expected to push for membership later this year. Other ministers are said to believe that a decision to join would provide the backdrop for the sharp fall in interest rates that they hope to see before the election.

Mr Major has said that he is an enthusiastic supporter of membership of the exchange rate mechanism to provide an

Continued on Page 24
Thatcher denies isolation, Page 2; Sanctions dropped, Page 4



Mrs Thatcher listens to a translation after talks with the Italian prime minister at Downing Street yesterday.

Economies of scale seen as the rationale behind the arrangement

Renault and Volvo to link

By Kevin Done, Motor Industry Correspondent, in Amsterdam

index recorded its fourth double-figure decline of the week, falling 32.5 to 2,235, a fall of 58.3 on the week. Page 24; Market reports, Page 15; Lex, Page 24

FERRANTI executive chairman Sir Derek Alum-Jones has resigned from the troubled UK electronics group. Eugene Anderson, former chief executive of Johnson Matthey, has replaced him. Page 4

SHELL UK was fined \$1m at Liverpool Crown Court for polluting the Mersey with 157 tonnes of crude oil. Page 4

GLOBE INVESTMENT, Britain's largest investment trust and the only one to feature in the FT-SE 100 Share Index, is finally severing shareholding links with Electra, its fellow trust, via a \$10.1m share sale. Page 10

MAN, the West German truck, printing machinery and engineering group, is raising DM552m (\$200m) through a rights issue of voting and preference shares to strengthen its finances and help pay for recent acquisitions. Page 12

UNION DES ASSURANCES DE PARIS, the leading French state-owned insurance company, yesterday unveiled a FF10.5bn (\$1.08bn) rights issue, the largest ever on the Paris exchange. Page 12

ELDBERS XRL, the Australian brewing conglomerate, suffered a sharp fall in interim profits due to large provisions for its finance and investment arm.

PANFIDA, the Australian-controlled retail and property company which operates the Martins chain of confectionery, tobacco and newsagent stores in Britain, plans to pay £8.2m to gain control of the 55-store chain. As part of the same deal, Rupert Murdoch's News International is taking a stake of up to 3.1 per cent in Panfida. Page 10

EASTERN AIR LINES, the US air carrier put into bankruptcy last year after a crippling strike by its unions, has signed an agreement with its uscured creditors. Page 12

WALTER BUNCIMAN, the UK shipping, security and insurance group again became the target of a hostile takeover bid when Forvaltning AB, Avena, a Swedish holding company, launched a £47.8m bid for the company. Page 10

AEROFLOT, the Soviet state carrier, is to begin operating charter flights from Britain and Ireland next month with first and business class seating and full bar service. Page 4

SAATCHI and Saatchi, the UK advertising agency, yesterday issued another warning about its financial prospects after the shares had fallen by almost a quarter on the London stock market.

Sentiment was also hit by renewed publicity for a shareholder lawsuit in the US which alleges that directors – including Mr Maurice Saatchi, chairman and former joint chief executive and Mr Charles Saatchi, a director and former joint chief executive – last year concealed adverse information on the company's prospects.

Saatchi yesterday closed 44p down to 38p, making a 64p fall in two days.

The agency, held up as an icon of entrepreneurial success in the 1980s partly as a result of the success of its advertising campaigns for the Conservative Party, said profits for the current year "were unlikely to

Continued on Page 24

Lex, Page 24; London Stocks, Page 15

THE POLL TAX

Calculating the community charge

Man in the News, Page 8; The Volvo-Renault deal, Page 11; World Stocks, Pages 20, 21; Lex, Page 24

The deal will involve the partial privatisation of the French group with the change of Renault's controversial status as a state agency or regime into a limited company.

According to the terms of a letter of intent, Volvo will take an initial 20 per cent stake in the Renault parent company and its car and van operations with an option to increase this to 25 per cent within three years of a final agreement.

Volvo will also take 45 per cent stakes in Renault Vehicles Industriel (RVI), Renault's truck and bus operations.

At the same time Renault is to take a 45 per cent stake in Volvo's truck and bus operations, and a 25 per cent stake in the Swedish group's car operations. It is also planning to purchase a stake of up to 10 per cent in the Volvo parent company through the open market.

For Volvo, the purchase of the stakes will have an estimated gross cost of

by Renault and 88,000 by Volvo.

Volvo is the dominant heavy truck maker and both groups have a substantial presence in North America as well as in West Europe. Volvo through its 76 per cent stake in Volvo GM Heavy Truck Corporation and Renault through its 45 per cent stake in the heavily loss-making Mack truck operations.

The combined automotive operations of the two groups will have an annual turnover of SF250m-SF275m and the two groups together would rank as the fourth largest industrial concern in West Europe.

In 1989 Renault produced 15,700 cars and 88,000 trucks and buses, while Volvo produced 405,000 cars and 65,000 trucks and buses.

The deal still needs approval by a range of bodies and authorities, including the French and Swedish governments, and Volvo shareholders.

It is planned that the new organisation between the two companies should be in full operation at the beginning of 1991.

Both companies plan to maintain the independence of their sales and distribution networks and of their brands.

Volvo and Renault each claim that each other's basic pay will rise by more than 22 per cent between April last year and October this year.

The 23-week dispute has meant a substantial loss of earnings for many ambulancemen, in spite of public generosity. The money on offer comes as a significant indemnification: qualified ambulance crew members' basic pay will rise from \$10,083 to \$11,801 annually from March 1 and to \$11,870 from October 1.

The deal struck in the ambulance dispute will be based on the NHS management's offer in November of a 9 per cent rise over 18 months.

The two-year deal was reached by adding a basic pay increase of 7.9 per cent to cover the final six months to March next year.

It also included new allowances of between \$150 and \$500 for staff trained in paramedical skills and promised extra payments of 2 per cent tied to productivity improvements to be agreed upon with local ambulance services.

The five unions involved will make separate arrangements for balloting, which will start on Monday. The result should be known by March 13.

Final settlement of the ambulance dispute will come as a relief for the Government and its supporters. The long-running intransigence led to widespread unease among many Conservative MPs and was frequently used as ammunition by the Opposition.

The terms of the settlement mean that the Government can claim its determination to control public sector pay has not been compromised. Downing Street said the deal would increase the wage bill by 13 per cent over two years.

Ambulance dispute, Page 7

Warning by Saatchi as shares slide

By Daniel Green

SAATCHI and Saatchi, the UK advertising agency, yesterday issued another warning about its financial prospects after the shares had fallen by almost a quarter on the London stock market.

Cross-examined by Mr Richard Ferguson, QC, for Mr Ernest Saunders, Mr Roux agreed that evidence he gave to the inspectors about a company linked with Mr Ephraim Margulies, chairman of Berlitz International, had been "complete and utter lies."

He also agreed that he had been part of a cover-up to conceal the truth about payments totalling £3.4m made as a reward to Mr Margulies for his help during the takeover.

One payment, for £1.94m, had been to Compagnie Internationale de Finance et Commerce (Cifco).

The transcript of Mr Roux's evidence to the inspectors showed that he had told them Cifco had been known to him before the Distillers takeover.

Mr Ferguson asked if that had been so.

Mr Roux "Yes."

He agreed that he had told other lies to the inspectors about a £1.495m payment to Erlanger & Co, a Berlitz subsidiary.

Mr Roux is a witness in the trial of Mr Saunders, former chairman and chief executive of Guinness, Mr Gerald Ronson, chairman of the Heron group, Mr Anthony Parnes and Sir Jack Lyons, the millionaire financier.

They deny charges alleging they were involved in an unlawful share support operation mounted by Guinness during its bid for Distillers.

The trial continues.

The Guinness trial, Page 4

Roux admits he lied to DTI inspectors

By Raymond Hughes, Law Courts Correspondent

"No," replied Mr Roux. "You told a lie to the inspectors?"

"At that time, yes," Mr Roux said.

Mr Ferguson: "You told a lie when you had affirmed your intention to tell the truth and you had been told by the inspector that the effect is the same as if you had sworn on the Bible?"

Mr Roux: "Yes."

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The Guinness trial, Page 4

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The curtain falls on triple merits

Editorial Comment

OVERSEAS NEWS

Thatcher denies she is isolated on key EC policies

By Robert Mauffner, Diplomatic Correspondent

MRS Margaret Thatcher, the British Prime Minister, unrepresentative in the face of criticism that she was being negative about the prospect of a united Germany, yesterday called for an urgent start to international consultations on German unification.

"There are many things which have to be settled resulting from the unification of Germany," Mrs Thatcher told a news conference after talks in London with Mr Giulio Andreotti, the Italian Prime Minister.

Though it was decided at the recent Ottawa conference between Nato and Warsaw Pact foreign ministers, that the problems of German unification would be discussed by the two Germans and the four Second World War Allies - the US, the Soviet Union, Britain and France - other countries would have to be consulted.

The real changes would have to be discussed by all Nato, full 38-nation Helsinki Agreement and full European Community meetings, Mrs Thatcher said. "We think some of these things should get going now."

"We are at a stage of establishing the questions that have to be asked. We are asking them. We are starting to find a new framework for the future."

The British Prime Minister angrily dismissed suggestions by a questioner that she was

Former Swiss minister acquitted

By William Duliforce in Geneva

MRS ELISABETH Kopp, former Swiss Justice Minister, was acquitted yesterday of a charge that she had broken the law by passing on to her husband information about a drugs money investigation.

Judges of the Swiss Federal Tribunal said it could not be clearly proved that Mrs Kopp knew that the information came from within her ministry. She could not therefore be found guilty of violating the official secrets act.

Mrs Kopp, Switzerland's first woman cabinet minister, was forced to resign in January 1989 after it had been disclosed that she warned her husband, Hans, by telephone that Standard Trading, a currency dealing company in Zurich of which he was vice-president, was under investigation in connection with alleged laundering of "dirty money" from international drug trafficking.

Her act led not only to the first criminal trial of a cabinet minister in Swiss history, but also to an inquiry by a parliamentary commission into the running of the public prosecutor's office and the Justice Ministry. The commission uncovered the existence of secret police files on some 900,000 Swiss and foreign citizens, and triggered allegations in the media that the Swiss political and business establishment had been operating a state within the state.

Mrs Kopp's defending lawyer argued that her trial had been prejudiced by this public ferment.

The five-man court found Mrs Katharina Schoop, the personal assistant who tipped off Mrs Kopp about the money-laundering inquiry, guilty of violating official secrecy but imposed no penalty on her. She had talked to Mr Kopp at Mrs Kopp's request and the court accepted her argument that she did not realize she was breaking the law.

A third defendant, Mrs Renate Schwob, the Justice Ministerial official who had been the source of Mrs Schoop's information, was acquitted of breaking the official secrets act. The judges awarded her an indemnity of SFr25,000 (\$10,000).

The court decided that Mrs Kopp should pay four-tenths of the costs of the trial, with Mrs Schoop paying one-tenth, and the taxpayer the rest.

Canada boosts telecom drive in Hungary

CANADA'S Northern Telecom has reinforced its position in Hungary by signing a joint venture with BHG, the country's only indigenous maker of telecommunications exchanges and Austria Telecommunications, an Austrian research group. The new venture will make and supply digital switching systems in Hungary, writes Hugo Dixon.

Hungary, like other Eastern European countries, is planning big investments to modernise its out-of-date phone network. Its plans call for installation of 3m lines over the next 10 years, which would mean 35 per cent of its population having phones.

As part of an earlier deal Hungary has already been supplied with 80,000 lines of Northern Telecom's switching equipment. Northern, however, will not have the Hungarian market to itself. West Germany's Siemens and France's Alcatel have also announced joint ventures, and Sweden's Ericsson last year supplied a large gateway exchange to the country.

Mr Carlsson also revealed measures to improve the supply side of the economy. People will be encouraged to work until they are 67. Young workers from the Baltic states in the Soviet Union are to be encouraged to come and work in Sweden on short work permits, while Swedes will be offered a chance to work on half pay instead of taking a fifth and six week legal holiday entitlement.

Instead the Government intends to appoint a special negotiator with the task of assisting Sweden's employers and the unions in curbing wage settlements for the rest of this year and next.

Mr Carlsson told a press conference that the new negotiating system would have to be in place by the beginning of April, when the Government introduces its supplementary budget. He said that if a level of wage rises satisfactory to the Government had not been reached by then, further financial

Carlsson unveils fresh package for economy

By Robert Taylor in Stockholm

MR Ingvar Carlsson, who is expected to win parliamentary approval on Monday for his formation of a new minority Social Democratic Government, announced details yesterday of a fresh package of measures to deal with Sweden's economic troubles.

The price and rent freeze until the end of 1991, announced two weeks ago, will remain in place. But there will be no pay freeze, after Parliament last week rejected the proposal and triggered the previous Carlsson government's resignation.

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Japanese economist issues warning on monetary policy

THE Group of Seven leading industrial countries should shift the focus of their international economic policy co-ordination away from monetary policy towards preventing a financial market crash, a former leading official of the Bank of Japan said yesterday. Peter Norman writes.

Mr Yoshiro Suzuki, vice-chairman of Nomura Research Institute and former director of research at the Japanese central bank, said that G-7 monetary policy co-ordination had been bad for the world economy. "If it had not been for the international co-ordination, the

stability of the domestic macroeconomics of major countries since 1988 would have been better," he told a London conference, organised by the Cato Institute of the US and the Institute of Economic Affairs.

Excessive co-ordinated interest rate reductions after the stock market crash of October 1987 had produced increased inflation and interest rates worldwide, he said. He added that said G-7 co-ordination efforts should aim at maintaining autonomous monetary policies in Japan, the US and Germany.

"Even the enterprise balance sheets for 1989 have not yet been assessed," said Mr Todor Stoljan, deputy finance minister, adding that production figures were often falsified. Despite the problems, he stressed that "we have no right to stop the process of improvement".

Tight security ordered for Soviet demonstrations

By Quentin Peel in Moscow

EXTRAORDINARY security precautions have been ordered by the Soviet Government and local authorities to counter mass demonstrations called across the country tomorrow by radical groups to demand greater democracy and power-sharing from the ruling Communist Party.

Fears that demonstrators may try to seize government and party buildings have been voiced by the Soviet media and officials, who have tried to ban or restrict the rallies to remote areas of their cities.

Hundreds of thousands are

from Leningrad in the north to Tbilisi in the south, and from the big cities of the Ukraine in the west to the huge industrial complexes of the Urals mountains, and to Siberia.

In Moscow, organisers are hoping for 300,000 or more to gather in a demand for round-table talks between the ruling party and opposition organisations, after the decision by the central committee of the Communist Party three weeks ago to abandon its guaranteed monopoly on power.

At the same time, supporters

of the democratic movements

are deeply concerned at what

they claim is official "provocation", with all security forces mobilised to contain the rallies.

Mr Valery Soskin, the mayor of Moscow, said all measures normally taken for national holidays - when the city centre is effectively closed to traffic and all shops shut - were planned tomorrow. The city's chief of interior ministry forces - including internal troops

- said all his forces had been mobilised.

A danger is that the demon-

strators, ordered to keep to a

short parade around the city's ring road, will try to break

through to the city centre and the Kremlin.

Confusion continues in Leningrad. The city's Popular Front has called on supporters to boycott a rally in the Lenin sports complex in Pobeda park

because of the tense situation in the city, but the radical Democratic Union has urged its supporters to turn out to back the big Moscow rally.

In Sverdlovsk, in the Urals, the authorities are openly admitting fears that demonstrators may try to seize the headquarters of the city council or the Communist Party,

where the powerful party leader has been sacked in recent weeks.

An agreement on the complete withdrawal of Soviet troops from Hungary is expected to be signed in the next few weeks, Col-Gen M. Bulyakov, commander of the Soviet army group, said yesterday, writes Quentin Peel.

He was speaking after confirmation from Prague that Czechoslovakia and the Soviet Union had reached final agreement on a complete troop withdrawal from that country over a period of about 18 months.

By Quentin Peel in Moscow

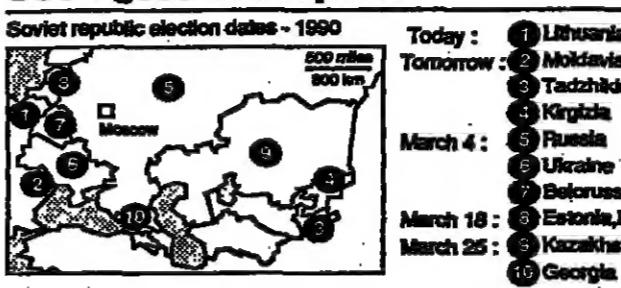
THE first multi-party elections to a republican parliament in the Soviet Union take place today in Lithuania, with all the major parties backing outright independence for the Baltic republic.

In spite of the ruling Soviet

Communist Party's decision to scrap the constitutional guarantee of its monopoly on power, Lithuania remains an exception and not the rule in the forthcoming local elections across the country. Only in the three Baltic republics - Estonia and Latvia, as well as Lithuania - does the contest include any formal political parties other than the Communist Party itself.

Yet the whole election process for the republican parliaments, city and district councils, is seen as a crucial test of the ruling party's authority. In spite of widespread efforts to restrict the numbers of genuinely independent candidates,

USSR goes to the polls



and many cases where leading officials are standing unopposed, Soviet electors are expected to demonstrate their growing dissatisfaction with full-time party bureaucrats by crossing them off the ballot papers.

Even where no alternative parties are allowed, as in the most important elections of all

- in the Russian federation,

could become the real majority in key cities and regions.

A major question will be whether the "democrats", led by the Party maverick, Mr Boris Yeltsin, and other members of the Inter-Regional Group in the Congress of People's Deputies - the national super-parliament - can gain a majority in the Supreme Soviet of the Russian Federation.

Another will be whether the Ruthenian movement in the Ukraine, along with Green and other non-Communist candidates, can gain a majority from party conservatives in the Ukraine.

Around the fringes of the Soviet empire - in the Baltic republics, Georgia and Moldavia - the local Communist Parties have had to move sharply into the nationalist camp in order to preserve any credibility in the forthcoming poll. Where they have done so successfully, as in Lithuania

and Estonia (which votes on March 15), the party is expected to remain the largest single unit. However, even there the dominant forces in the Communist parties are now clearly social democrats.

In Moldavia, the ruling party has been transformed in barely three months by the new party leader, Mr Protop. Luchinsky, with revived popularity thanks to its willingness to talk to informal groups, including the powerful Moldavian Popular Front.

In Central Asia, however, the erosion of Communist power has moved much more slowly. Election results for Uzbekistan, where voting took place last Sunday, showed that out of 388 republican deputies elected on the first round, 94.6 per cent are party members. Only 42 are women, and 50 are classified as workers. Voter turnout remained unusually high, claimed at 93.5 per cent.

SPD rallies East and West in Leipzig



A leader of the West German Social Democrats (SPD), Mr Oskar Lafontaine, right, with a prominent East German SPD member, Mr Ibrahim Böhme, at a party rally in Leipzig yesterday

Bonn agrees package on pollution factories

By David Marsh in Bonn

THE West German Government agreed yesterday to help find new jobs for workers in East German factories which are allowed to operate only under exemptions from East German health rules.

The step came as some experts were predicting that the jobless total in East Germany could rise to around 500,000 by the end of the year, from 70,000 at present, as a result of the introduction of a market economy.

Parts of all these works would have to be closed down, Mr Diederich said. As well as pledging DM1bn (£235m) in budgetary funds during the next few years to help clean up the worst offending plants, Bonn will also try to support new industries moving into these regions to provide alternative jobs.

Reporting on the first meeting here of the East-West German Environment Commission, Mr Töpfer, said the two states wanted to move towards an "environment union" to back up planned links in the economic, monetary and social fields. Members of the Commis-

sion revealed that 65,000 East German workers are employed in seriously polluting factories which are allowed to operate only under exemptions from East German health rules.

These are above all in the Bitterfeld and Merseburg areas, the centre of East Germany's notoriously dirty chemical industry, as well as south of Leipzig and around Dresden.

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Mr Diederich revealed that the hunting parks used by leading members of the former Honecker regime would be turned into nature reserves. The former Communist hierarchy's hunting lodges will be used as environmental information centres.

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Under the agreement, announced by the Ministry of Commerce and Industry (Seofi), quotas for seven other products have been increased by 45 per cent. The total number of categories is 120.

The deal, valid until the end of 1991, follows a plea by President Carlos Salinas de Gortari during his US visit last year.

The agreement could provide a stimulus to Mexico's textiles industry, badly hit by the fall in domestic demand during the 1982-83 economic stagnation. But in the recent past it has not fulfilled all its quotas.

Mr Miguel Angel del Toro, director-general of international commercial negotiations at Seofi, described the agreement as an "advance" but not a substitute for a free market and for elimination of the Multilateral Agreement.

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Economic reformers groping in the dark

Romania is struggling to discover the true state of its economy, writes Judy Dempsey

ROMANIA'S Finance Ministry is painfully trying to build up a picture of the economy two months after the overthrow of the Ceausescu regime in order to plan much-needed investments, arrange loans and introduce privatisations.

The difficulty of pushing through reforms is compounded by the fact that the ruling National Front does not want to take any unpopular measures before the elections due on May 20. Equally problematic is the fact that the Finance Ministry

OVERSEAS NEWS

US defence chief puts pressure on Japan over trade

By Robert Thomson in Tokyo

JAPAN FACED trade pressure on a new front yesterday as Mr Dick Cheney, the US Defence Secretary, warned that failure to cut Japan's \$45bn bilateral trade surplus could trigger a broader decline in relations between the two countries.

Mr Cheney's comments in Tokyo coincided with the final day of the third round of Structural Impediment Initiative (SII) talks. These are intended to bring bilateral trade more into balance but have yet to produce Japanese proposals to satisfy US demands for fundamental policy changes.

After the talks, Mr Linn Williams, deputy US Trade Representative, said the "personal chemistry was good," but "what we heard was not enough to be effective, lasting or credible." The US has sought changes in Japan's distribution system, land use, corporate groupings and price system, and more spending on public works.

In an earlier speech expected to deal only with defence-related issues, Mr Cheney said: "I cannot over-emphasise the value" of SII. "The growing friction between our countries on trade issues and continued trade imbalance may, if unchecked, spill over to other issues of mutual interest and concern."

He also made clear that the US wants access to Japan's defence-related technologies as "Japan and other allies have long benefited from the technology flow from the US." US negotiators at the SII

round had hoped significant proposals would come after the Japanese election, but Mr Williams said Japanese statements were "predominantly a defence of the status quo with a prospect of only minimal further action."

An SII interim report is due in early April and another large-scale meeting will be held in the meantime, but US officials made clear that expectations in Washington and Tokyo differed greatly and that the ruling Liberal Democratic Party must take a more active interest in the talks.

A senior official at the Ministry of International Trade and Industry observed that it was "rare" and "surprising" for a US Defence Secretary to make public comments on the trade dispute but the comments reflected an "increasing interdependence between the US and Japan."

The Mitti official said differences at the SII talks were to be expected because "we exchanged many ideas." He said the US "has called these differences disappointing, but we call these differences something on which to build a result in the near future."

Asked about consequences of an inadequate Japanese response, a senior US Treasury official warned that the executive in Washington might lose some control over the trade issue and a US Congress "with different ideas in mind might exercise control." Congress has a reputation in Japan for hostile attitudes on trade and investment.

US to cut Far East forces by 10 per cent

Mr Dick Cheney, the US Defence Secretary, confirmed American plans to cut its forces in Asia and the Pacific by 10 per cent, but promised US allies Washington would not create a power vacuum by withdrawing from the region, Reuters reports from Tokyo.

Mr Cheney said 120,000 US troops as well as warships and aircraft were a bulwark of stability in the financially-booming region.

"It is important to stress that we are not talking about a first step toward withdrawal," he told the Japan National Press Club, reassuring Pacific Rim allies who fear the American military umbrella might be folded up and shipped home.

If we were to withdraw our forward-deployed forces from the Asia-Pacific region, a vacuum would quickly develop. There almost surely would be a series of destabilising regional arms races, an increase in regional tensions and possibly conflict," he said.

Mr Cheney said he had discussed a modest removal of US troops in the region during talks with leaders in South Korea, the Philippines and Japan.

It is of the order of approximately 10 per cent scattered across the region... the time frame we are talking about is three years," he said.

He declined to give a breakdown of where withdrawals might occur, saying that decision had not been made yet. The US maintains 42,500 troops in South Korea; more than 50,000 on Japan and Okinawa and nearly 15,000 in the Philippines.

Mr Cheney stressed that the Soviet Union was not the only reason for a balancing US presence in the region.

In addition to a modern Soviet military in Asia, he said, the Bush administration saw potential for internal unrest and regional conflict involving a number of Asian countries.

"North Korea, Burma, Vietnam, Cambodia, China and perhaps others may well undergo significant internal changes. It's an open question as to how those changes will affect regional stability," he said.

Mr Cheney said he had discussed a modest removal of US troops in the region during talks with leaders in South Korea, the Philippines and Japan.

Beirut Shia cleric calls for release of Western hostages

HOPES for the 17 Western hostages in Lebanon rose yesterday when a leading Lebanese Shia Moslem cleric issued an unequivocal plea for their release, writes Andrew Gowers in London.

In a Friday prayer sermon in Beirut, Sheikh Mohammad Hussein Fadallah, who is regarded as exerting strong influence over the kidnappers, said: "We have to find practical and humanitarian means to free the kidnapped foreigners because this issue has been exploited a lot by Western powers in order to disfigure the image of Islam and Moallem."

It was by far the most explicit appeal for the Westerners' release from Sheikh Fadallah, who has close links with the Hizbullah (Party of God), the umbrella organisation for the Shia Moslem militants who are holding the hostages. The cleric, which was couched in almost identical terms to one issued in Iran on Thursday, points to a fresh initiative on the hostage issue by the Iranian Government. Significantly, it follows a visit by

Sheikh Fadallah to Tehran earlier this month.

On Thursday, the authoritative Tehran Times newspaper, which reflects the views of the Iranian Foreign Ministry and to some extent of President Ali Akbar Hashemi Rafsanjani, said the hostages could be freed this year. "Regardless of the West's propaganda ploys, Moslem forces, out of Islamic and humanitarian considerations, should work to get the hostages free with no preconditions," the editorial added.

Western diplomats have

been encouraged by the latest statements from Iran and Lebanon, but remain cautious about the prospects for the hostages' release.

Doubts persist about the extent of Iranian influence over the kidnappers, and the question is further complicated by the continuing divisions within the Iranian Government over relations with the West.

President Rafsanjani appears to find a way out of Iran's international isolation and revive the country's moribund economy, promised to help

with the hostage issue last August after Israel inflamed tensions by kidnapping a Shia cleric from southern Lebanon. The US, eight of whose nationals are believed to be held by Lebanese kidnappers, has since been pursuing secret talks through intermediaries with Iran to secure their release.

However, Sheikh Fadallah's remarks are bound to stir up the pressure. The Sheikh suggested that the hostages' release should form part of a general reappraisal of strategy

on the part of Shia Moslem activists in Lebanon. "We want a solution to close this file so that the Islamic jihad (holy war) can proceed with new methods and new mentality," he said.

Apart from the eight Americans held in Lebanon — one of whom, the journalist Terry Anderson has been in captivity for nearly five years — the hostages also include four British, among them the Church of England envoy Terry Waite, who was seized in January 1987.

Ballot puts end to era of the bullet

Whoever wins tomorrow, the election marks the end of Nicaragua's eight-year bitter civil war, writes Tim Coone

WHEN the dust settles after Nicaragua's general elections tomorrow, the political horizon in Central America should begin to take on a calmer, less violent hue.

Whoever is elected president — incumbent President Daniel Ortega of the Sandinista party, or Mrs Violeta Barrios de Chamorro of the US-backed opposition alliance UNO — the chances are that the eight-year war in Nicaragua is drawing to a close. Peace in Nicaragua should help end the civil war in El Salvador and could resolve the smouldering conflict in Guatemala.

Both candidates this week pledged that they would respect the voters' decision. Such undertakings, at the end of a long and bitterly-fought campaign, are most significant. They mean that Nicaragua's leading politicians have finally agreed on the ground rules for resolving their differences without resorting to guns.

The 1984 elections, which the Sandinistas won with 57 per cent of the vote, led to a deepening of Nicaragua's conflict. The right wing abstained in those elections, leaving them deprived of any formal representation, in particular in the National Assembly. The US stepped up its support for the Contras, the war intensified and right-wing politicians polarised towards the Contras.

Six years later, following a series of pragmatic political and economic reforms by the Sandinistas and the guarantee of free elections watched by thousands of international observers, the right wing has now allied itself with parties from centre and left in an effort to oust the Sandinistas by the ballot

instead of the bullet. Many Contras have returned from exile to contest the elections. If they still fail, they will none the less make important political gains such as winning a significant number of seats in the National Assembly and taking control of several important municipalities. UNO has eloquent and highly capable politicians within its ranks such as Mr Alfredo Cesar (its leading candidate for the National Assembly and ex-contra leader) and Mr Agustin Jarquin, (standing for a seat on the capital's municipal council) who will be strong candidates for the 1990 race.

Should UNO win tomorrow, President Ortega's public undertaking on Thursday to "respect the will of the people" together with conciliatory statements in the past week by prominent members of the opposition and business community, suggest that for the first time since the 1979 revolution there is a real possibility of reconciliation between right and left. However, an opposition win would lead to a huge shake-up in the state apparatus which has been moulded by the Sandinistas over 11 years and is staffed by their supporters.

Mr Cesar said earlier this week that these elections offer a choice between two systems — one outmoded, centrally-planned and modelled on Eastern Europe and Cuba, the other a modern western-style democracy.

President Ortega denies that the Sandinistas have attempted to copy other socialist models in its 11 years in power. "We incorporated 'perestroika' into our thinking before 1979," he said



Mrs Chamorro and President Ortega: both pledged to respect the election outcome

Arianespace suspends launches after explosion

By George Graham in Paris

ARIANESPACE, the European space launcher joint venture, has put its future flights on hold after its latest rocket blew up early yesterday.

The Ariane 4 rocket exploded, with two Japanese satellites on board, 1 minute and 40 seconds after lift-off from Kourou, French Guyana.

The explosion is the fifth failure in Arianespace's 10-year existence, and the first for the new enlarged Ariane 4. Arianespace said the failure was due to the malfunctioning of two motors, one on the rocket's first stage and the other affecting one of its four back-up motors. The rocket broke apart under the strain of trying to compensate for these two failures.

Mr Frédéric d'Alessie, Arianespace chairman, said that flights would prob-

ably be suspended for several months. A commission of enquiry is due to be formed next week, but is expected to take two months to report.

Ariane has put 25 satellites into orbit in a run of 17 successful launches. It now leads the satellite launcher market with an order book for 32 launches worth around FFr12.5bn, perhaps half the world market.

The loss of one of the two Japanese satellites on board — the Superbird B telecommunications satellite belonging to Mitsubishi affiliate Space Communications Corporation will delay its plans to expand Japan-wide satellite news gathering services to television stations by as much as three years. The other satellite was a back-up for state television NHK's satellite channels.

The funeral of Mr Robert Ouko, the Kenyan Foreign Minister, ended in violence yesterday as thousands of students clashed with riot police in Nairobi, Nicholas Woodsworth reports from Nairobi.

The capital had been tense for three days and demonstrations had been banned after the mysterious death of Mr Ouko, whose partially incinerated body was found outside his home a week ago.

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UK NEWS

Former Johnson Matthey chief will head Ferranti

By Michael Skapinker

MR Eugene Anderson, former chief executive of Johnson Matthey, yesterday took charge of Ferranti International, the troubled UK electronics group.

His appointment as chairman and chief executive came on the same day that Ferranti announced the long-awaited resignation of Sir Derek Alun-Jones as executive chairman. Sir Derek told the Ferranti board he was ready to resign shortly after the discovery of a alleged £21m fraud involving ITC Technologies, Ferranti's US subsidiary.

Texas-born Mr Anderson said yesterday he would receive a basic salary of £275,000, along with options on 9.35m Ferranti shares at an average price of 38.5p a share, exercisable in three years' time. Ferranti's shares closed yesterday at 40p.

Mr Anderson, 51, said he agreed to head Ferranti at the end of January, although he signed his contract only at 11am yesterday.

Few incoming chairmen have the opportunity to face their shareholders as quickly as he will: on Monday, he will attend a Ferranti extraordinary general meeting to approve the company's £310m



Eugene Anderson: to look at businesses' performance sale of its radar business to General Electric Company of the UK.

Mr Anderson said his first task would be "to develop an understandable strategy for the company. That's going to be number one. That means going out and understanding the businesses. The second is to look at the performances of the various businesses and try to improve them."

"Any dispassionate observer

Subsidise Channel tunnel rail link, urges EC body

By Kevin Brown, Transport Correspondent

AN influential European Community advisory body is to press for government funds to help finance the proposed high-speed rail link between London and the Channel tunnel.

Mr Larry Smith, president of the transport and communications section of the Economic and Social Committee, said the tunnel was in danger of becoming a "white elephant" because of uncertainty about the link.

The committee, which advises the European Parliament and the Council of Ministers, is composed of businessmen, trade union representatives and community representatives.

The committee's views will increase pressure on the British Government to provide funds or financial guarantees.

The future of the link has

SA tourist promotion ban is lifted

By Ralph Atkins

THE Government yesterday shrugged off accusations that it was acting out of step with other European Community countries and formally lifted Britain's voluntary ban on new investment and the promotion of tourism in South Africa.

Statements from the Departments of Employment and Trade and Industry said President de Klerk had taken steps "to transform the political climate" in South Africa. "This deserves a constructive response from the international community."

Mrs Margaret Thatcher dismissed criticism that she was isolated from European colleagues. At a press conference after talks with the Italian Prime Minister she said: "It is pretty cosy... isolation... judging by the numbers of foreign statesmen who are talking to us."

The two departments said it was up to companies and organisations to make their own judgments about whether to invest or promote tourism in the country. "The Government will no longer discourage them," the statements said.

Labour responded by attacking the Government's move to relax restrictions. Mr Neil Kinnock, described the announcement as "pathetically premature."

He said: "Sanctions against South Africa must be maintained until the de Klerk government has agreed to a mechanism to bring a non-racial, non-fragmented democracy to South Africa."

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UK NEWS - EMPLOYMENT

THE AMBULANCE DISPUTE

By John Gapper, Labour Editor

AFTER a conflict that lasted so long and cost so much, there was little chance of a simple settlement. None the less, the deal reached to end the ambulance dispute was exceptional in its complexity and ambiguity. It left plenty of scope for differing interpretations.

Both management and union sides took full advantage of this yesterday. Mr Roger Poole, the chief union negotiator, argued that it had "driven a coach and horses" through public sector pay policy. Mr Duncan Nichol emphasised that it would add only 13.3 per cent to the pay bill over two years.

The one clear result was that the union side was defeated in its call for an indexation formula similar to that for fire-fighters and police officers, both of which link pay to rises in private sector earnings. The form of words finally agreed was far from establishing such a formula.

Instead, the two sides agreed that negotiations within the ambulance Whitley Councils



Source: Public Finance Foundation, Feb. 1990

should in future "have regard to relevant pay movements in the health service." This is some way from establishing the sort of external link to fire-fighters pay that Mr Poole sought at the start of the dispute.

Furthermore, the management side managed to build its own aspirations into the form of words. Future negotiations will also be based on internal pay differentials, affordability, the need for local pay flexibility, and the need to identify

and solve career and pay structure problems.

Mr Poole argued yesterday that this formula gave unions the sort of framework that they had been seeking for some time. None the less, it is clear that the two sides do not establish a fixed pay link, and accordingly that pay comparability is only one of the issues to be considered.

On pay, the extension of an original one-year offer of 6.5 per cent to one of 9 per cent over 18 months, and finally to one costing 13.3 per cent over two years made comparisons difficult.

Coherent arguments were available to both sides to say that the deal was good value.

• **Unions:** The jump sum payments ranging from £515 to £915 are equivalent to about 9 per cent over the 11 months from April 1 last year. The final month of the year is also covered by a 9 per cent rise, so ambulance crews have won bigger rises for 1989/90 than most other health workers.

In the second year, the 7.9 per cent rise linked to local productivity deals. The productivity formula means that staff will benefit directly from savings that managers think can be achieved.

They can thus argue that the value of the deal is better than those traditionally won by constrained bargaining in Whitley Councils, that further pay increases are available for local productivity improvements and that the "end-loading" of the two-year deal will boost the value of the 1991/2 deal.

• **Management:** The first crucial achievement of the management side was to constrain the value of the settlement within the pay guidelines for the two years 1989/90 and 1990/91. The chart shows that the overall value of public sector awards for these two years is likely to run at about 15 per cent.

It can also fairly claim that the deal does not break fundamentally with the 18-month offer made on November 17. The basic pay increase up to October this year is the 9 per cent.

cent then on offer. The 7.9 per cent increase to cover the final six months is more expensive, but affordable.

The second achievement was to resist the unions' demand for a pay formula. In the latest stages of the dispute, Mr Poole emphasised that the unions were prepared to look at different forms of pay mechanism, such as the long-term deals now covering the non-industrial civil service.

However, the final form of words could be used as much to the management's advantage as the unions'. The theme that Mr Nichol repeated during the dispute, that of more flexibility for local pay variations and to reward skill, is reflected in the agreement on future pay bargaining.

Mr Trinder's judgment is that the Government has resisted any clear breach of its pay policy by the unions. "It is not a total defeat for the unions, but at the same time, it does not drive a coach and horses through the Government's pay guidelines."

NEWS IN BRIEF

Ford craft strike to continue

CRAFT workers in the body plant at Ford's Halewood site voted yesterday in an overwhelming majority to continue their strike over the company's pay offer.

The ERTPU electricians' union said that between 300 and 400 attended the meeting and only nine voted to go back to work. A further meeting would be held next Friday.

The ERTPU will convene a meeting of Ford delegates on Monday to discuss the progress of the dispute over the company's pay offer.

Nursery tax protest

SIR Norman Fowler, the former Employment minister, will today call for the abolition of the tax on workplace nurseries in this year's Budget.

The Treasury's policy is "eccentric" and should be "put out of its misery," Sir Norman is expected to tell the Conservative's West Midlands area annual conference.

Sir Norman will also call for child care vouchers offered by employers to be made tax exempt.

Birds Eye at Acas

Managers and unions from the Birds Eye Wall's factory in Lowestoft, where 1,200 workers are on strike over the imposition of new working arrangements, are to meet for talks at the Acas conciliation service on Monday.

Workers at the factory voted

on Thursday to continue the two-week-old strike. The Transport and General Workers' Union has refused to accept two aspects of an extensive revision of the company's Workstyle package of new working practices.

Builders' register

EMPLOYERS in the construction industry were yesterday urged by the Construction Industry Training Board to consider a national skills register which would require all craft workers to gain a certificate of competence to be able to work.

Teachers' ballot

Representatives of the NAS/UWT teachers' union will meet in Wembley this morning to decide whether to ballot members on industrial action over their pay award.

Teachers were awarded an 8.3 per cent rise by an interim advisory committee which reported earlier this month, but the Government decided to implement the increases in stages. A motion to today's meeting condemns the "imposed pay cut" and calls on the executive to ballot the NAS/UWT's 118,000 members.

Prison talks stall

TALKS to avert industrial action by officers at Armley jail in Leeds broke up without agreement yesterday but the Prison Officers' Association and Home Office management are to resume talks next week.

Battered workers see Judge Jeffreys' ghost

Fiona Thompson finds Dorset staff bitter about what they see as rough justice

ROUGH JUSTICE, which has been visited on Dorchester since the time of Judge Jeffreys' Bloody Assize, was hanging over the county town again yesterday.

This was the feeling of ambulance workers there yesterday. Battle-weary, bruised and bitter, they were expecting to bow to the realities dictated from London.

In spite of deep disappointment that the deal reached after 20 hours of talks and recommended by union leaders does not include a pay formula, staff at Dorchester felt it would be accepted by their station and probably throughout the county.

"People are simply very tired. The dispute has gone on for a long time," said Mr Duncan Fowles, a leading Dorset man who has served for 17 years in Dorchester. "Financially it has caused great hardship. There is a lot of debt around."

Dorchester's station has 18 crew members, seven of whom carry out non-emergency out-patients and general work; 11 are fully qualified accident and emergency staff. Four of the eleven are paramedics.

The seven non-urgent staff have not been paid since November, when the national union leadership imposed a ban on all non-emergency work. The 11 qualified staff were put on 75 per cent of pay from November 17 and had had no pay since January 11 after further restrictions prompted management to suspend crews. The Dorchester staff returned to work a week ago, after the distressing death of a woman in the town.

"I have run up a £1,000 overdraft, just paying living

Peace plan offers end to political embarrassment

By Ralph Atkins

THE PROSPECT of peace in the ambulance dispute yesterday offered an end to the long-running political embarrassment caused to Government supporters – and in particular Mr Kenneth Clarke, the Health Secretary.

Mr Clarke was frequently accused of mishandling the dispute, even by some of his Conservative backbench colleagues. Previously listed as a possible Conservative leader, his political career looked to be derailed by the long-running intransigence.

The settlement thrashed out over Thursday night offers him a chance to start rebuilding his reputation. The Government appears to have detected charges of a large-scale breakdown, possibly vindicating its strategy of holding out for 22 weeks before a settlement was reached.

Downing Street was stressing that the deal was "fair and reasonable." One former Cabinet minister said, cautiously, that Mr Clarke had done "quite well."

In the Commons, the ambulance dispute had often forced the Government on to the defensive and was used as ammunition by the opposition parties. One Conservative

backbencher admitted yesterday: "It has caused embarrassment and damage to the Government – but it was not an easy dispute to handle."

Opinion polls – and MPs' mail – showed the ambulance crews had strong public support. Within the party, Mr Clarke was criticised for being abrasive and unsympathetic to the plight of ambulance staff. He had been appointed by Mrs Thatcher two years ago as someone with the communication skills thought to be needed to persuade the electorate of the Government's determination to improve, rather than rundown, the National Health Service. But, at times, the ambulance dispute left him looking isolated.

Attempts to count the human cost produce confusing picture

By John Authers

IT STILL seems impossible to count the human cost of the ambulance dispute.

Much evidence is anecdotal, while comparisons of the numbers of patients dead on arrival and dying in casualty during the dispute and in the same period a year earlier produce a confused picture.

A rise in such deaths from 15 in December 1988 to 22 in the same month in 1989 was noted

at Newcastle's Royal Victoria Hospital. However similar figures for Guy's Hospital in London during the first month of the dispute indicated that the mortality rate actually decreased in 1989.

Mr David Skinner, head of the casualty department at St Bartholomew's Hospital, London, estimated that there had been at least one avoidable death in every major London accident and emergency department.

He added, however: "I would not dream of putting a figure on it."

He mentioned one example of a stab wound where the patient bled to death because of delays before any rescue service arrived. "With a rapid response the patient would have lived. It was a simple injury but one which continued bleeding."

Major General Norman Kirby, specialist in charge of the casualty department at Guy's Hospital, London, hoped a two-tier service of emergency and non-emergency crews would emerge.

He said: "If we had a small hard core of well-trained people it would be much easier to link in with the other emergency services."

In areas such as Leeds and Sheffield where emergency and non-emergency crews are kept distinct, no increase in deaths was reported.

Mr David Ferguson, consultant in accident and emergency medicine at the Royal Hallamshire Hospital, Sheffield, said: "We were never able to prove that our mortality figures were higher than prior to the strike."

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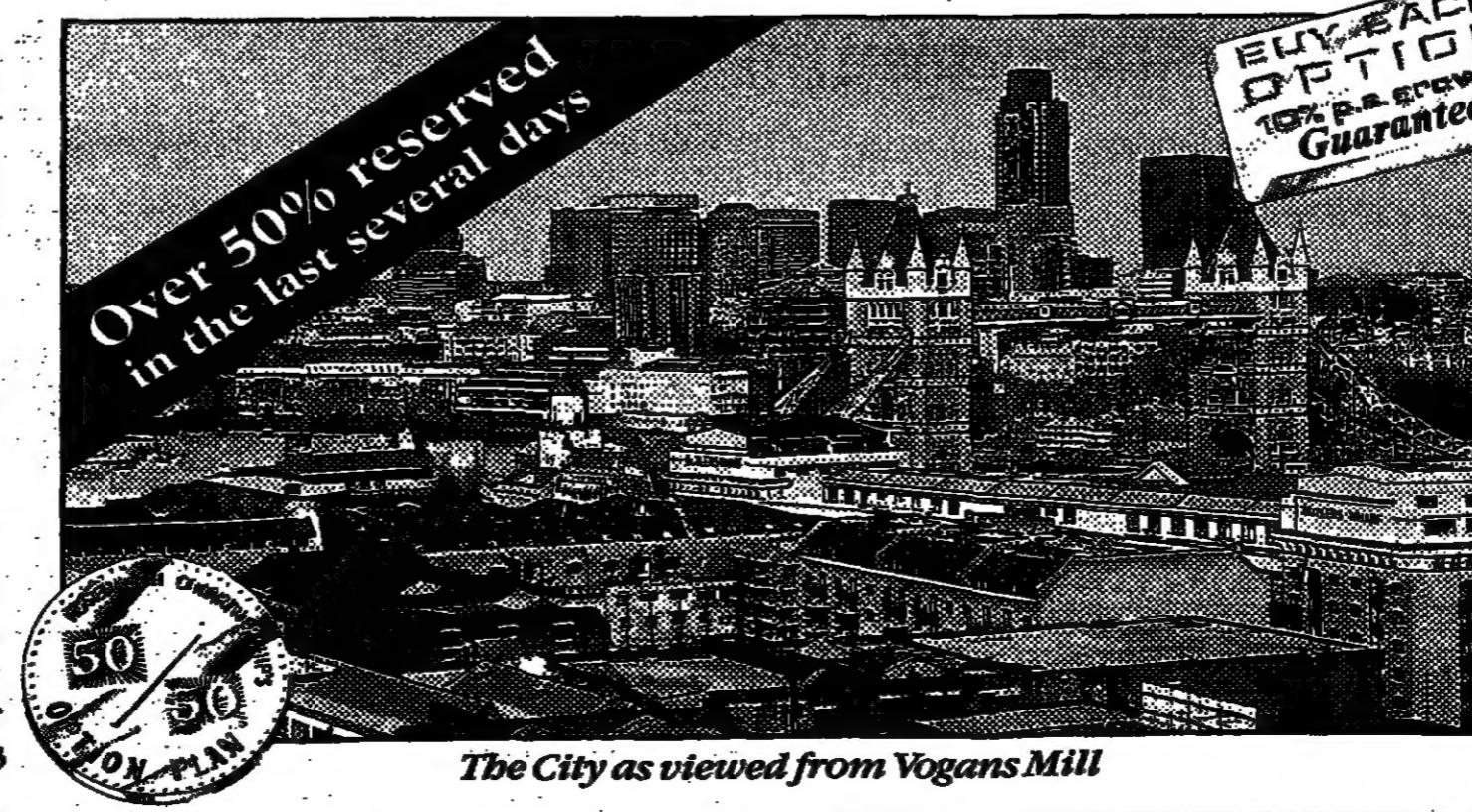
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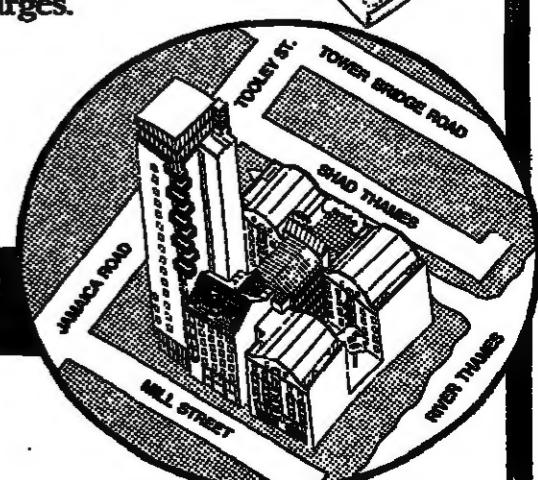
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Saturday February 24 1990

Imperfect linkages

WHEN THE finance ministry and central bank of the world's largest creditor country engage in a public dogfight over the thrust of monetary policy, the rest of the world might be expected to take note. A share price plunge of more than 3 per cent in a single day in a market that accounts for more than 40 per cent of the value of equities worldwide might equally be expected to cause the international financial community to run for cover. Yet this turbulent combination of events in Tokyo this week produced a remarkably muted response elsewhere.

Conventional wisdom has it that capital markets now operate on a global basis. But there are times when the global linkages seem curiously intangible.

During the 1987 stock market crash Tokyo weathered the storm far better than most. Yet this week the priorities were completely reversed. While Tokyo equities have fallen more than 10 per cent from their recent peak, London and Wall Street felt a fairly modest backwash. The pattern of yields in the bond markets, meantime, is not, at first sight, easy to rationalise.

For those who instinctively identify West Germany and Japan with monetary virtue there is something odd about German bond yields that now exceed the yield from US Treasury bonds. The return on US Treasuries is around 8% per cent, compared with nearer 9 per cent for government bonds in the Federal Republic. Before the Japanese Ministry of Finance intervened to support the market earlier this week, long dated bonds in Tokyo rose above 7 per cent – this in a country that experienced a mere 2.8 per cent consumer price inflation last year. That figure, which was inflated by the introduction of the controversial consumption tax, is widely expected to come down to 2 per cent this year.

Rethink needed

Yet there are good grounds for arguing that inflationary expectations in the 1980s need rethinking in the light of a dramatic shift in the political and economic picture. West Germany, for example, has moved in the space of two years from sclerosis to 4 per cent economic growth. Leaving aside events in eastern Europe, inflation appears to be heading for 3% per cent or more over the next 18 months, purely on the basis of what is happening in the domestic economy. Throw in the budgetary implications of providing East Germans with welfare and other benefits at West German levels and it becomes possible to make a case for German inflation over-

taking inflation in the US.

Equally important, the market is demanding an additional premium for risk in relation to German currency union. An over-generous rate of conversion for East German marks would lead to a big expansion in West German money supply.

East German savings that are now of questionable worth might suddenly find an outlet in consumption in the West German economy, thereby adding to inflationary pressure.

"That risk premium is unlikely to disappear until a conversion rate (or rates) are agreed and the East German elections on March 18 are out of the way."

Social division

The case for caution in Japan rests on the huge bubble in land and share prices in the 1980s. Mr Yasushi Mieno, the new president of the Bank of Japan, believes that this asset price inflation has been socially divisive. He also fears that it could ultimately spill over into the prices of goods and services. There lies the explanation for successive increases in the official discount rate which have contributed to the plunge in bond prices and equities.

Mr Makoto Utsumi, the vice-minister of finance for international affairs, believes that asset price inflation is less likely to find an outlet in consumer price inflation. Hence his public argument with Mr Mieno this week. But it is possible to sympathise with any central banker who recognises that returns on domestic bonds and equities are hopelessly out of line with the international norm and seeks to push the burden of adjustment onto asset prices rather than increased inflation.

It may be that West German and Japanese bond prices have been over-reacting to the increase in the inflationary threat. But the pressure for convergence in bond markets is real enough in a world where the Group of Seven industrialised countries have been seeking to stabilise exchange rate since the Louvre Accord. Equities, on the other hand, are less obviously tied together. Portfolio diversification into international equities is still a recent phenomenon for Japanese – and, for that matter, American – institutions. The prickling of the Japanese bubble in recent weeks is unlikely, in itself, to have a dramatic effect on the equity outflow. But when US and UK equities respectively yield seven and nine times as much as Japanese equities, it is a safe bet that the pressure for convergence will intensify.

Japanese short-term interest rates have been rising since early last year, under pressure from increases elsewhere, which undermined the strength of the yen.

Concerned about the threat of a resurgence in inflation, the Bank of Japan steadily increased official rates in order to try to reduce the rate of money supply growth. But some investors in the Tokyo market were convinced high short-term interest rates would not last.

Reality began to dawn early this year following increases in long-term rates elsewhere, especially West Germany. Investors saw the yawning gap between the 5.5 per cent yield on the Japanese benchmark government bond and 8 per cent available in West Germany and nearly 8 per cent in the US. In mid-January Japanese bond prices plunged, yields climbed to over 6.5 per cent and stocks fell.

Nevertheless, some investors persuaded themselves there was little to worry about, ascribing the market's troubles to uncertainty over the Japanese economy.

Nevertheless, the seriousness of the market's troubles is underlined by the

air of invincibility which surrounded the Tokyo stock market for much of the 1980s has this week dissolved in a cloud of doubt, uncertainty and bitter argument between the Japanese Ministry of Finance and the Bank of Japan.

Investors have been scurrying for cover for most of the week as the stock, bond and currency markets swung around wildly in bursts of jittery trading separated by long periods of nervous inactivity. The Nikkei index of leading stocks fell 935.87 points yesterday to close at 34,880.97 – down 6.8 per cent on the week.

"All the participants in the market have become spectators," said Mr Steve Mazloumian, treasurer for Barclays Bank in Tokyo. "People are pulling out... nobody knows which way it will go next."

A rise in interest rates, the great leveller of financial markets, has shattered the confidence which has set Tokyo apart from other financial centres, at least since the crash of October 1987.

Japanese fund managers have succumbed to the fears that have pervaded New York and London since the crash. After eight years, the great bull run, which turned Tokyo into the biggest stock market in the world, seems to be faltering.

The consequences are already apparent in the confusion which reigns this week in Tokyo, epitomised by the row between the Bank of Japan, which wants to raise interest rates, and the Ministry of Finance, which has pledged to hold back the tide. Markets around the world have been shaken by the sight of Tokyo in turmoil.

Mr Makoto Utsumi, vice-minister for international affairs at the finance ministry, said in a speech this week: "The stability of the Japanese markets is the foundation of economic stability not only in Japan but also in the world economy."

The immediate cause of the plunge in stock prices this week was an attempt by securities brokers in Tokyo to sell holdings of equities acquired while trading them against stock index futures. One US investment house was rumoured to have sold half a Y400bn (£1.5bn) holding – and to have run into trouble trying to sell the rest.

However, futures traders are easy scapegoats, particularly in Tokyo where stock futures were introduced only a year ago and where the biggest participants are foreigners.

The real reason for the market's sharp fall is the end of the era of what Japanese call the "triple merits" – falling interest rates, declining oil prices and an appreciating yen, which together supported the Tokyo market from the time of the Plaza currency accord in 1985. The watchwords now in Tokyo are the "double demerits" – high inflation and high interest rates.

Japanese short-term interest rates have been rising since early last year, under pressure from increases elsewhere, which undermined the strength of the yen.

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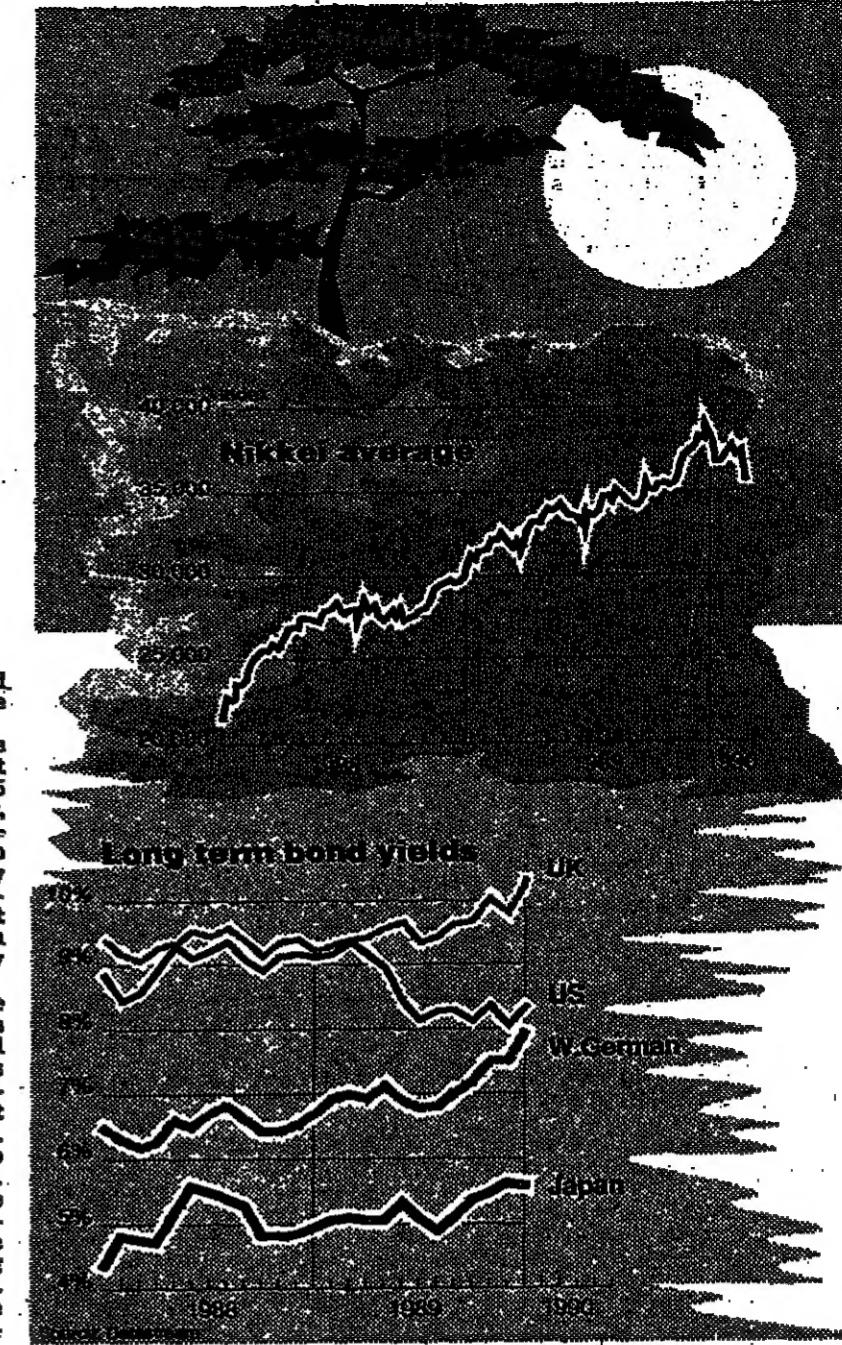
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Nevertheless, the seriousness of the market's troubles is underlined by the

Stefan Wagstyl reports on the sliding Tokyo stock market and the discord among Japan's monetary authorities

The curtain falls on the era of the triple merits



new general election, which was held last Sunday.

When the ruling Liberal Democratic Party was safely returned to power, fund managers looked again at economic fundamentals.

The gap between long-term interest rates in Japan and the rest of the industrialised world still seemed too wide. Bonds collapsed on Tuesday, sending yields above 7 per cent for the first time since 1985 and the stock market fell like a stone.

As an unfortunate coincidence, Mr Alan Greenspan, chairman of the US Federal Reserve Board, gave evidence to Congress on Tuesday. His remarks in which he indicated he was still concerned about inflation, were interpreted as saying that US interest rates could not come down. His words killed off any possibility of a quick recovery of confidence in either the yen or Japanese stocks or bonds.

The weekly dramas have to be put in perspective. Even after suffering its biggest weekly decline since October 1987, the Nikkei index stands only 10.4 per cent off its all-time peak. It is roughly where it was last October.

In other words, this is not a crash.

In the aftermath of October 1987, the Dow Jones index fell to 34.2 per cent below its peak, the FT-SE 100 fell to 30.5 per cent below its high. Both the Tokyo market's advance last year and its subsequent decline have occurred in light trading – so the aggregate losses are relatively small – even though a few individual investing companies may be in diffi-

cuities. Large Japanese institutions have been mostly inactive. Mr Akio Mikuni, president of Mikuni, a credit rating company, said: "They've been thinking for some time that an adjustment has been long overdue."

Moreover, Japanese investors are well able to take the strain. For financial institutions, equities holdings as a proportion of total funds have doubled in the last five years, but are still just 8 per cent of the total.

Also the underlying Japanese economy remains strong. After three years of expansion, industry is suffering from the strains of success – especially rising labour costs – but no-one expects anything more than a gentle slow down in GNP growth from 5 per cent last year to perhaps 4 per cent in 1990.

Nevertheless, the seriousness of the market's troubles is underlined by the

recklessly risking everything for the sake of the stock market. "The stock market is high-profile and it is political," says Mr Mazloumian of Barclays. "They seem to be ignoring everything else."

In the end, say bankers who support the Bank of Japan, it is bound to fail since the extra money pouring into the financial system through uncontrolled money supply growth will in the end provoke an anti-inflationary response that undermines the securities markets. "The longer we wait for another rise in the discount rate, the worse it will be," said a Japanese banker yesterday.

The ministry's view is that what matters to investors are not nominal interest rates but real rates, adjusted for inflation. On this basis, Japanese rates and US rates are approximately equal at about 4 per cent. But, say the ministry's supporters, taking the artificial effect of the consumption tax into account, the real rate in Japan is 3 per cent or more. Mr Keiichi Honda, a director of the Bank of Tokyo, says: "Japanese rates are already too high."

The two authorities are slugging it out in the markets. The central bank has this week been buying yen in the foreign currency markets. At the same time, the finance ministry has intervened twice in the bond market – buying bonds and pumping more yen into the financial system.

Once the smoke clears from the battlefield, investors will have to decide whether to go back into the market. October 1987 was a buying opportunity for those brave enough to act

immediately after the crash. The bull argument in favour of Tokyo is based as before on the power of Japanese manufacturing industry. The world will buy more Japanese cars, machine tools and microchips in the 1990s than it did in the 1980s. Even though the Japanese economy is slowing it looks likely to grow at a rate which makes other industrialised countries look pedestrian.

Moreover, the increase in inflation which has so frightened the Bank of Japan is largely the result of economic strength not weakness: labour is short because industry is working flat out. It is investing unprecedented amounts in new plant to compensate.

Against this, Japanese investors are themselves seeking investment opportunities abroad more and more actively – notably in Europe where they hope to profit from the economic integration of the EC and from the revitalisation of eastern Europe. They pay increasing attention to the objectives foreigners have long had about investing in Tokyo – namely the low yields on Japanese assets, especially land. They increasingly believe there are better returns to be had abroad.

But Japanese investors are not abandoning Tokyo. Japanese assets, including equities, are the core of the institutions' holdings. Foreign securities account for only 12 per cent of the securities holdings of banks, for example. When the time is right these institutions are likely to start buying Japanese equities once more. Even yesterday, there was at least one sign of buying in the stock market. Sony was up Y20 at Y7,900.

MAN IN THE NEWS

Pehr Gyllenhammar

A fresh claim to industry's Nordic throne

By Robert Taylor



the US market. In fact, Mr Gyllenhammar has used Volvo as a platform from which to speak out for the wider aspirations of Swedish industry in the international business world.

There is a touch of the enlightened despot about Mr Gyllenhammar. Nobody has ever had any doubt who has been running Volvo since 1971, although he has created an impressive cadre of managers to run the company. But he is keen to stress that – though he took over Volvo as the son-in-law of the outgoing chief executive – he is not part of any of the dynamic family networks that dominate much of Swedish business life. Over the years he has often been locked in bitter rivalry with the Wallenberg, the greatest of these dynasties.

Mr Gyllenhammar found time over the past fortnight to intensive publicity in Sweden's political crisis. He was accused of having been Mr Carl Bildt, the Moderate party leader, for a newspaper article which he called for a broad-based coalition government to solve the country's troubles. But his support did not harm to his already warm relations with the ruling Social Democrats. "Our country needs calm, not a government crisis," he declared. "The outside world looks at us with growing amazement and scepticism; a land in disintegration with strikes and inflation."

Twenty years ago Mr Gyllenhammar wrote a book, *I Believe in Sweden*, which was a hymn of praise for its economy. He is now more pessimistic about his country's future, but he has not lost his basic faith. "We have a trump-card in Sweden," he says. "We are a harmonious land and we can prosper in the 1990s. The growth of the EU's inner market and the developments in eastern Europe give us a chance for peace and guaranteed good economic growth."

Opinions about Mr Gyllenhammar's business acumen differ widely. There are those who believe Volvo would have performed much better over the period of his chairmanship under another leader with a tougher financial eye and greater alertness to shareholder interests. Others are more charitable, believing that despite his occasional mistakes, his European core strategy has made sense.

Certainly Volvo's financial results in recent years have been better than expected, despite growing competition in the bottom line on the annual

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Body Shop, Sock Shop, Knickerbox, Flash Trash, Shave Shop, Tooth Booth, House House, Tie Rack, Shirt Rack. Throughout the 1980s snappy, alternative or rhythmic names appeared above doors in high streets all over the country.

As the decade progressed the development of such shops accelerated. The so-called "niche" retailers occupied shops that were often little more than niches themselves and aimed to fill gaps in the market. Although many only nibbled the edges of even the small markets they targeted, they were highly visible.

But now - as the chairman of one of them says - they have all been "tarnished" by the failures and struggles of some. The latest to suffer, with perhaps the most spectacular of falls - if only because of the heights it had reached - has been Sock Shop International.

Once the group had a stock market value of over £70m. This week the chain asked for administrators to be appointed under the Insolvency Act to keep the debt-ridden group afloat while refinancing is arranged.

Yet it is unfair to condemn all niche retailers because of the problems of some. And similarly, it is wrong to single out the specialists for criticism when many other retailers have been in difficulties.

Niche is not, in any case, a good word to categorise the phenomenon. Mr Crispin Tweddell, of Piper Trust which invests in retail ideas, says "you might as well call J. Sainsbury's a niche retailer because if only sells food." Specialist retailer might be a better term.

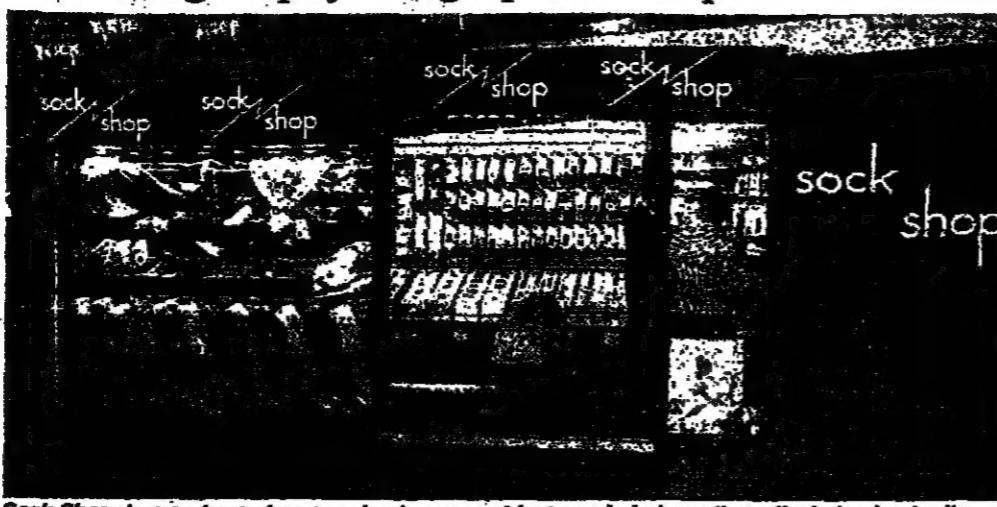
Specialist retailers were not a creation of the 1980s; many had prospered before. Many are still successful - Body Shop, for instance. And the concept of a specialist retail chain still has a future. The right idea, selling the right products, run by the right management can still work.

What has vanished is the late-1980s fashion which grasped the specialist concept and whipped up interest from investors and bankers, who seemed ready to pour money in to back almost anyone who came up with a suitably bright name and a glitzy idea.

The Sock and Tie Rack fiasco came within a month of each other in 1987. Sock Shop's offer was 53 times subscribed, Tie Rack's 81 times. Body Shop got its quote much earlier, though its shares were also caught up in the general excitement.

Finance was also available for many ideas far less likely to

Maggie Urry finds that many small retailers are having to pay a high price for specialisation



Sock Shop: heavy dependence on hosiery meant last year's hot weather affected sales badly

When a niche becomes a tomb

succeed and with much shorter track records. Who would have thought that a shop called Tooth Booth selling toothbrushes, mouthwash, toothpaste, and other dental accoutrements would prosper? It did not.

Mr John Richards, retail analyst at County NatWest Wood-Mac the stockbrokers, says that at the height of the hype his nightmare was that he would mention a joke concept and then see it open in Oxford Street.

At the end of the 1980s retailing, he says, went through a "very silly phase". Some thought that the flourishing consumer spending would never collapse and that opening more and more shops was the way to ever-greater profits.

Judges of business awards were dazzled by the retail sector and the recipients of prizes too often believed their own public relations.

This madness did not simply affect the specialists, but spread to a wide range of retailers. Expansion, acquisition, design, refurbishments abounded in the sector, all of them apparently leading to rapid profit growth but each with hidden drawbacks and heavy expense. For a while it worked, but it could not last

for ever. What went wrong with the specialist retailers is, in broad terms, the same as what went wrong at Lowndes Queensway, the furniture and carpet retailer, or Next, the fashion chain, or Storehouse, the BHS, Habitat and Mothercare group.

Last year was the toughest many retailers can remember, and 1990 is likely to be as difficult. Meanwhile costs have risen faster than sales, squeezing margins. When trading conditions get tough, weakness in any company are exposed.

But the specialists have had some added problems. For a start, their smaller size is a handicap. A large, well-capitalised group can withstand pressures for longer.

A bigger group can take in its stride errors that can devastate a small one. Ms Sophie Mirman, chairman of Sock Shop, and co-founder of the company with her husband Mr Richard Ross, says Sock Shop only made one big mistake - the move into America.

That mistake alone is largely responsible for the group's current difficulties. Losses from the 17 US shops, which were closed just after Christmas, have dragged the company down, helping to wipe out net assets which will be worth less than nothing by the time of the final figure balance sheet is drawn up.

The sale of a majority stake in the US business should get rid of most of the problem, but not before a £4.8m write-off.

That is a huge blow to a company whose stock market value is only £7.5m, and that at the price the shares were suspended at before this week's news.

Sock Shop operates 124 shops, mostly in the UK, and might this year have a turnover of around £35m. Ms Mirman denies that Sock Shop expanded too rapidly, as some critics have said. Specialists are easily copied. There is no copyright on bright ideas when they are laid out in the high street. So they must quickly capture as much of the market as they can before others move in.

The specialists' attention to a neglected product area has often nudged the chain and department stores into livening up their own product offers. Stores had been weak on, for instance, ties and socks, perhaps giving such a small area to a junior buyer or designer to cut their teeth on and then hiding the products at the back of their stores.

It is a simple matter for Marks and Spencer to brighten up its socks, or for Boots to introduce a range of "natural" toiletries. And with their resources and the sales volumes they generate, they can often beat the specialists at their own game.

The specialists' lack of a broad product base also means that if their particular area is hit, they have nothing else to fall back on. Trade estimates suggest Sock Shop has 3 per cent of the UK hosiery market and perhaps 15 per cent of the women's sock market. Its heavy dependence on women's hosiery meant that when last summer's hot weather persuaded many to go bare-legged, sales dropped badly.

Also, the specialists' choice of property has often worked against them. The small corner sites, typically chosen by the specialists, might have been cheap, but the race to open shops pushed up rents. The late 1980s expansionists were taking on leases just when the property market was at its headiest. The Hillier Parker shop rent index more than doubled between March 1986 and November 1989. And, of course, the established chains have their own freeholds.

Retailers in general have been too willing to pay not only high rents but premiums to obtain leases. Sock Shop admits to paying a £500,000 premium on a shop, and other lower ones. The premiums were put into the balance sheet as fixed assets and written off over the life of the lease.

Mr Richards points out that while under UK accounting practices shop leases are regarded as an asset, in the US they are seen as a liability. Sock Shop, for one, was able to raise borrowings partly on the basis of such assets.

The rise in interest rates combined with high debt levels was the final straw for many of the specialists. Ms Mirman says in her defence that the group's borrowings - the overdraft was £14.5m at the end of January - were taken on when base rates were 7.5 per cent, when profits could comfortably cover the interest charges, and when companies were being exhorted to invest and expand. She feels as aggrieved as might people who were encouraged to buy houses only to be clobbered by the rise in mortgage rates.

The evaporation of the late 1980s enthusiasm for the specialist retailers is no bad thing. But the high streets will be greener places if new ideas cannot be aired, or used to cannot be aired, or used to raise the big stores into sharpening up their offerings.

Calculating the community charge

John Authers reports on how one loyal Tory council failed the Government's poll tax test

The most loyal Conservative councils have joined the squeeze of protest from local authorities throughout England and Wales in the past few weeks. Local politicians of every shade are unhappy as they make their first year's decisions on the level of the poll tax, which is the Government's recommended figure.

The rest of the notice shows revenue taken in through the business rates and the Government's standard spending grant. This grant has been fixed so that, if county, district and parish councils had charged exactly the target set by the Government, the final community charge would be £278, which is the Government's recommended figure.

The problems stem not just from the poll tax itself but from the way it is affected by another important change to local government finance.

The old rate support grant has been replaced by a Government standard spending grant, which varies from authority to authority. This is linked to a "standard spending assessment" of how much money the each council should spend per charge-payer.

The snag is that local councils believe they should be spending £23 billion more than the Government wants them to. This has been translated,

	Authority plans for services (£ per head)	Sum for standard level of service (£ per head)
Cambridgeshire county	£67.35	£65.94
Ave district	£6.63	£2.63
Ave parish	4.00	-
Total	779.98	755.57
LESS:		
Govt standard spending grant	188.72	188.12
Business rates	292.51	292.51
Community charge**	298.35	277.94

*Sums depend on other authorities' decisions

**Before safety net adjustment

Cambridgeshire's assessment for Cambridgeshire's assessment was taken mainly from 1988, since when there has been annual population growth of 1.5 per cent, and an increase in traffic. According to Mr Prince, the county already has to provide for 800 more junior school children than the formula assumed, which would alone justify an extra £1.1m on the Government's target budget.

Cambridgeshire has tried to squeeze spending. Education takes up more than half of county councils' budgets. Cambridgeshire was put down by Whitehall for a bill of £183m, but plans to spend £206m. It once considered abolishing the school meals service, at a saving of £1m. After public pressure, only £500,000 was cut. In social services, county hall has contracted out much care for the elderly.

In its budget report, Cambridgeshire described the Government's published forecasts as "totally unrealistic". By trying to squeeze local authority spending nationally as it introduced the poll tax, the Government has ended up amassing not only those councils that Conservatives see as run by Labour's "loony left," but also its own most loyal supporters.

LETTERS

SLD plans to encourage responsible ownership

From Mr Alan Beith MP.

Sir, John Pinder's review of the National Association of Pension Funds' collection of essays, *Creative Tensions* - the latest addition to the literature on the British disease of short-termism - rightly concentrates on the responsibilities of share owners ("A rocky boat in the City," February 22).

Where economic agents fail to use their market power responsibly, one can legitimately describe that as market failure.

The plethora of ill-advised takeovers of the last few years seems to suggest that in the case of the market for corporate control, there are indeed imperfections that seem to stem from the inability of investors to take a long-term view of the investment. All the evidence suggests that this is proving very damaging to the long-term health of British business.

Indeed, the bad news is that this process may accelerate when continental companies take full advantage of Britain's relatively open stock market in the single market after 1992.

The Liberal Democrats have attempted to address this problem head-on in our green paper on economic policy, *Britain's Industrial Future*. This argues

that the only way to tackle the myopia of certain City financial institutions is to reduce the role of takeovers as the disciplining mechanism for management by measures such as lowering the trigger point for a full takeover bid, allowing a delay before newly acquired shares can acquire voting power in a takeover bid, and by forcing bidders to be more open about their plans for the future of the company at the time of the bid.

In place of the market for corporate control, we would wish directly to encourage owners to take more responsibility. Larger companies could have two-tier boards: a management and a supervisory board.

While we have left open the question as to who should be represented on the supervisory board, we would wish to give the board responsibility for strategic issues such as research and development and long-term investment. An alternative might be to strengthen the duties of non-executive directors in similar ways.

Alan Beith,
Liberal Democrat Treasury
Spokesman
House of Commons,
Westminster, SW1

Hanson's compulsory conversion

From Mr S.L. Hugh-Jones.

Sir, You report fairly my many (and many others') objection to Hanson's attempt at compulsory conversion of its 10 per cent stake ("Hanson is as Hanson does," February 17).

But Hanson's decision - that we cannot expect "to be paid for the same period" - is not fair. The accident that Hanson may choose to attribute its ordinary dividends to a period long before they are paid does not alter the figures, or the

truth over the next 12 months, its cash flow will rise and our income will fall heavily.

As for the City analyst who thinks a four-month postponement of a (annual) payment no more than "a tiny difficulty," let him live without a salary for that time and see if he still feels as well off on a like basis. That is the catch - the basic is not "like" at all.

Stephen Hugh-Jones,
97 Abbey House,
Garden Road, NW8

Why company executives need to travel in comfort and style

From Mr Brian Rose.

Sir, In attacking the company car, Mr Etchells (Letters, February 17) appears to ignore the genuine need of companies to run larger cars to conduct their business. Two examples are:

• The need for technical and support personnel to travel long distances in safety and with large amounts of equipment.

• The need to transport prospective clients long distances to view specialised installations. Three or four large passengers in a 1,300cc car, travelling in excess of 200 miles in a day, would not be a good start to a business relationship.

Mr Etchells is keen to compare UK petrol prices with those in France, but he is quick to overlook France's generally more liberal speed limits. Temptation to exceed limits is greatest when these are set unrealistically low as in the

UK in many instances. Speed is not the real safety problem on our roads but the leaving of insufficient distance between vehicles at whatever speed. On motorways, in particular, it is time something was done about this.

Brian J. Rose,
Managing Director,
Jack Row (CS),
Luton House,
Petersfield,
Ross-on-Wye,
Hereford & Worcester

From Mr David Wilkinson.

Mr Etchells suggests the speed limit in built-up areas should be reduced from 30 mph to 25 mph and claims this would not significantly increase journey time.

If a 20 per cent increase is not significant then what is the point of Mr Etchells' suggestion that the 70 mph speed limit be reduced by 7 per cent to 65 mph? If a 20 per cent dif-

ference does not matter, then why not increase it to a more sensible 85 mph?

More logical ways to reduce road vehicle pollution would be to require new cars sold in the UK after this year to be fitted with three-way catalytic converters, to reduce the annual road fund licence to £10 (as Mr Etchells suggests in his letter) to increase the excise duty on diesel and unleaded petrol by 50 per cent, and to double the excise duty on leaded petrol.

Another consideration is that the arbitrary 2,500/18,000-mile rules at which higher taxes are applied encourages unnecessary - or indeed fictitious - business trips.

The full private benefit of a company car should be taxed. Restricting full taxation to the perk user removes only some of the distortion.

T.S.T. Key,
36 Chandos Avenue,
Ealing, W5

The grass is greener

The roads are quieter

The air is cleaner

The rents are cheaper

The decision is closer...

LEEDS
DEVELOPMENT
CORPORATION

If you are considering corporate relocation, call the operator and ask for Freephone Leeds Development Corporation, or contact Stuart M Kenny, Director of Development and Marketing, Leeds Development Corporation, South Point, South Accommodation Road, Leeds LS10 1PP. Telephone: (0532) 446273.

UK COMPANY NEWS

Globe to sever Electra link with £101m sale

By Nikki Tait

GLOBE INVESTMENT Trust, Britain's largest investment trust and the only one to feature in the FT-SE 100 Share Index, is finally severing shareholding links with Electra, its fellow trust, via a £101m share sale.

Globe is offering its 26 per cent holding in Electra, the biggest single investment in its portfolio, to existing Globe investors. They can buy the shares at 260p apiece, a discount of 19.7 per cent to Electra's net asset value (as of Thursday).

Shareholders, who include a large number of small private investors, are entitled to one share in Electra for every 12.75 Globe shares currently held, or one Electra share for every 50.66 nominal of Globe convertible stock.

The offer, however, has been underwritten and Globe is therefore certain of raising £101m before expenses. The money, it said, would be reinvested "in accordance with established investment policy".

Explaining the reasons for the sale, Mr David Hardy, Globe's executive chairman, said that the Electra holding had become "over-large" in proportion to the total Globe portfolio. The role of Electra, which specialises in unquoted and venture capital investments, was also increasingly being duplicated by direct investments taken by Globe itself.

At the end of December, Electra was founded by Globe and another trust, Cable Trust, with which Globe eventually merged in the mid-1920s. Electra switched to its unquoted specialisation in the 1970s, and Globe and Cable floated just over a quarter of the equity in 1976.

In 1980 and after the Cable merger, Globe cut its stake from 74 to 26 per cent by making a similar offer for sale to Globe shareholders at 45p per share.

Mr Hardy said that the trust was offering the Electra shares to its investors in this fashion, because this seemed the fairest and most efficient way of proceeding. Globe's largest shareholder, the British Coal pension funds, which own 29 per cent of the trust's equity, will take up their full entitlement to Electra shares.

Mr James West, Globe's managing director, said that the sum raised from the sale might initially remain in cash. "We have taken a defensive attitude to world markets in the past few weeks," he commented.

However, he envisaged the cash eventually bolstering declared investment aims. These include an emphasis on UK stocks and a commitment to increase the unquoted portion of the portfolio to about 20 per cent.

Amid yesterday's grim market conditions, Globe shares fell from 172.5p to 168p, while Electra lost 30p to 260p.

Links between Electra and Globe are long-standing.

James West - a defensive attitude to world markets

ASSOCIATED Fisheries, where Eastern Produce now owns over 50 per cent of the shares, and Geest, the fresh produce and prepared foods group, are merging their fish processing interests in an attempt to combat the current difficult conditions within the industry.

The merger of Geest's Macfish business and Associated Fisheries' subsidiary, D. A. Macrae, will create a company with combined sales of around 247.3m.

Both Macfish and Macrae have been loss-making recently, and Geest said yesterday that the aim behind the merger was to streamline operations and cut costs.

The two companies employ

1,200 people in total, of whom 1,100 work in Fraserburgh in Scotland and account for over one-fifth of the town's working population.

Geest declined to give details of rationalisation plans, but said that there would obviously be some duplicated operations and that it would at least examine the long-term viability of all five sites within the merged company.

The pre-interest loss made by Macrae in 1989 was £700,000. The Macrae deficit is not disclosed but, according to Geest, was "significant".

The two companies have been hit by the declining supply - and subsequent cost increases - of white fish such as haddock. Both are significant suppliers to the large supermarket groups, although customer lists do not overlap entirely. Macrae is a more substantial Marks and Spencer supplier, for example, while Macrae has larger links with Sainsbury.

Under the deal, Macrae will be acquired by Macrae in exchange for a 50 per cent stake in the merged company. Macrae will also purchase various properties from Geest for £1.5m.

Associated Fisheries, meanwhile, will provide the company with a £2m loan, interest free for three years. Net assets of both businesses were around 25.5m, and in sales terms they are also roughly equal in size.

Panfida to buy balance of Martins

By Andrew Bolger

PANFIDA GROUP, the Australian-controlled retail and property company which operates the Martins chain of confectionery, tobacco and newsagent stores in Britain, plans to pay 28.5m to gain complete control of the 850-store chain.

As part of the same deal, Mr Rupert Murdoch's News International group is taking a stake of up to 31.2 per cent in Panfida by subscribing for a maximum of 28.5m new Panfida shares at 35p per share.

Panfida has agreed to buy the 47 per cent minority

shareholding in MRG Holdings, the holding company for the Martin Retail Group.

Panfida led a consortium which bought Martins from Guinness for £190m in 1987. The consortium included News International, which took a 23 per cent stake in Martins. Mr Murdoch sold his stake to Panfida in September 1988 as part of its restructuring to obtain a listing, but News International retained links with Martins.

Panfida said trading at Martins had not escaped the downturn in consumer demand. Sales were running

below budget but at about the level of last year, and no signs of an improved environment were evident at present.

However, in response to the current trading and following further internal reviews, a number of cost-saving and positive moves had been made which would lead to improved profit performance.

The 28.5m shares to be placed with News International will be subject to clawback by shareholders of Panfida on a pro rata basis at 35p. Panfida shares closed at 24p, up 8p.

Receivers go into Memory

By Vanessa Houlder

Administrative receivers have been appointed to Memory Computer (UK) and four fellow subsidiaries of the USM-quoted software and systems company.

The move came soon after the appointment of receivers to the Republic of Ireland-based subsidiaries and follows December's suspension of the shares and aborted talks this month about a management buy-out and restructuring.

The receivers, Mr Stephen James and Mr Roger Oldfield of KPMG Peat Marwick McLintock, are talking to possible purchasers of the business.

Gearing reduced to 90% at Bennett & Fountain

Mr Roy Axon, the former managing director of the retail division.

Mr Axon's service agreement was terminated by B&F last year - along with certain management buy-out proposals which he led - after the scale of trading losses in the division came to light. Mr Axon is currently claiming unfair dismissal.

The company's 1989 accounts were qualified by Finnis & Co, the auditors, because the retail division's cost and stock control problems meant that full information on sales and cash receipts was not forthcoming.

According to B&F, a fairly high level of shareholders turned out for the meeting, which saw an intervention by

fully launched a £31m paper and cash bid in 1988.

In addition to its own shares it has received an undertaking (which may be withdrawn) to accept from a holder of 4.4 per cent, understood to be the National Rivers Authority.

Viscount Runciman, the chairman, can, however, look to the 15.6 per cent stake in the hands of Runciman (Trustees). The more distant reaches of the family are thought to account for at least a further 15 per cent.

Mr Hans Eliasson, Avena's president, said there were two main reasons for shareholders to accept the cash offer.

Avena believed a substantial proportion of the company's growth in earnings per share over the last five years had come from disposal or retrench-

LWT warns of little growth in advertising revenue

By Andrew Bolger

LWT HOLDINGS, one of the big five independent television companies, expects to see little growth in advertising revenue this year because of high interest rates and low business confidence, according to its chairman, Mr Christopher Eland.

He was announcing LWT's results for the 17 months to December 31 1989. In November the company won shareholders' approval for a radical capital restructuring scheme aimed at retaining its franchise when the current licence expires in 1992.

Existing shareholders received a 12p per share payout, the financing of which transformed LWT's balance sheet as of January 1 this year from cash holdings of about 250m to borrowings of some 272.5m, and reduced the equity base by around 60 per cent.

The changes in the business make yesterday's figures of largely historic interest. In the 13 months to July 31, LWT made pre-tax profits of £27.8m (£15.8m) on turnover of £241.8m (£233m). This performance came from a 14 per cent increase in advertising revenue and improved operating margins.

For the following five months to December 31, it increased profits to £17.2m (£15.7m) on turnover of £111m (£101m). Those figures were achieved in spite of only 1.8 per cent growth in advertising.

There was an exceptional charge of £1.6m, net of Exchequer levy relief, for redundancy and retirement costs.

For the first time turnover included network income: before programmes were exchanged on a barter basis and included in costs.

The Broadcasting Bill is currently in committee stage. Mr Eland said that although its final shape on the key issue of tendering for franchises was still uncertain, there were welcome signs of flexibility on the Government's part - particularly over the regulatory authority's ability to balance programme quality against the amount of the licence fee.

In addition to the first interim dividend of 2.45p, a second interim of 60p was paid as part of the capital reorganisation; no further payment was proposed for 1990-91. The new preferred shares carry the right to a 5.35p gross annual dividend, which can be increased with shareholders' approval.

• **COMMENT**

LWT is entering a curious period of limbo, with yesterday's figures relating to a larger company which no longer exists, and all its current efforts devoted to continuing to operate its franchise, which will be awarded in the autumn. A combination of flat advertising revenue and continuing high interest rates is hardly the best climate for such a voyage into uncharted waters, but Mr Eland insists it will have the useful effect of forcing LWT to maintain its downward pressure on staff and costs. The shares closed down 4p at 51p. Forecast pre-tax profits of £15m put it on a multiple of about 10. Most investors took a view at the time of the restructuring and those who stayed are now likely to hang on to await the franchise contest outcome.

Bid for GPG cleared

Mr Nicholas Ridley, the Trade Secretary, has decided not to refer to the Monopolies Commission the £30m bid by Sir Ron Brierley's IEP for GPG, the financial services group.

A group of banks holding 61 per cent of the stock have already accepted. The board of GPG has said the 17p per share offer is inadequate, but is nevertheless considering whether to take advantage of the recent strength of the share price to sell into the market. The interim dividend is cut to 1.5p (2.5p).

The chairman, Mr Roy Axon, the former managing director of the retail division.

Mr Axon's service agreement was terminated by B&F last year - along with certain management buy-out proposals which he led - after the scale of trading losses in the division came to light. Mr Axon is currently claiming unfair dismissal.

The company's 1989 accounts were qualified by Finnis & Co, the auditors, because the retail division's cost and stock control problems meant that full information on sales and cash

Chairman says the results justify the thinking behind the merger Lloyds Abbey Life slips 3% to £294.6m

By Patrick Cockburn

LLOYDS ABBEY LIFE, 58 per cent owned by Lloyds Bank, yesterday exceeded City expectations by announcing a pre-tax profit of £294.6m for 1989, up 3 per cent down from £302.2m the year before.

Earnings per share were slightly down at 29.8p (30.5p). The directors have recommended an increased final dividend of 11p, making a total of 17p (13.5p) for the year. An increased dividend was part of the merger terms.

Mr Michael Hepher, chairman, said that the results justified the thinking behind the 1988 merger between Abbey

Life and the life assurance, unit trust, insurance broking, finance, and estate agency businesses of Lloyds Bank. He pointed to combination of the sales and marketing strength of Abbey Life and Lloyds' 4m customers. Salesmen, he said, who had previously sold one policy a week, were now selling four or five to those Lloyds customers.

The core life assurance business increased profit by 9 per cent over the year, but losses at Black Horse Agencies, the estate agency, together with a slight downturn at

Lloyds Bowmaker, the finance house, led to marginally lower profits overall.

Profits of the Abbey Life Assurance Company, which

has 3,035 agents, were up 6 per cent at £23.8m, boosted by a strong performance in an active pensions market.

Mr Hepher said that results from Black Horse Financial Services, where profits rose 10 per cent to £41.6m, had seen good pensions sales counteracting the drop in the mortgage endowment market. Some 300,000 Lloyds customers had now bought policies and the new direct salesforce was being rapidly expanded.

Black Horse Agencies were badly affected by the downturn in the housing market, producing a loss of £5.3m (profits of £18.4m). The number of houses sold almost halved from 69,000 to 38,000. Mr Hepher saw no signs of an upturn in the housing market this year.

Higher interest rates cut margins at Lloyds Bowmaker Finance and Money Costs rose from 9.8 to 11.5 per cent. Profits fell by 2 per cent to £84.2m (£86.1m).

General insurance sold by Lloyds Bank Insurance Services rose by 19 per cent to £36.1m.

The net interest margin - the percentage of net interest income as a percentage of average interest-earning assets - fell from 5.38 per cent to 5.15 per cent for UK business, reflecting a more competitive market, and to 3.06 per cent from 2.39 per cent for the group's international business.

The charge for bad and doubtful debts in the UK went up from £55m in 1988 to £186m, and accounted for 0.95 per cent of customer lending at the year end. Stockbrokers' analysts described the rate as high. Mr Brian Pittman, chief executive, said that the high rate of provisions reflected the bank's desire to enter a difficult market year in a strong position.

The bank's capital ratios dropped sharply in the last year, with the Tier 1 capital ratio falling from 5.6 per cent a year ago to 4.1 per cent and the total capital ratio down from 10.1 per cent to 7.4 per cent.

Sir Jeremy Morse said that the ratio would be restored to the 9 per cent level during 1990 with the proceeds from disposals.

Loss per share emerged at 45p (earnings 51p), but a final dividend of 8p (5p) makes a 13.5p (11.2p) total, an increase of 19 per cent.

Lloyds incurs biggest ever bank loss

By David Barchard

LLOYDS BANK, the smallest of the Big Four clearing banks, yesterday reported pre-tax losses of £7.1m in the year ended December 31 1989. The loss was the largest ever reported by a UK bank.

A year earlier, Lloyds made pre-tax profits of £58.2m. The plunge in the bank's profits was caused by provisions of £1.7bn against developing country debt.

The bank has now made provisions for 72 per cent of its £4.2bn problem country exposure, placing it slightly behind the 75 per cent provisions of National Westminster, but well ahead of Midland's 50.2 per cent level.

"We are fully provided for that part of the debt which is doubtful and the worst of this long-running problem should be behind us," said Sir Jeremy Morse, chairman.

Without provisions, Lloyds profits would have been up by 7 per cent on 1988 levels. UK retail banking reported profits of £591m, up from £558m in 1988, while private banking and financial services contributed £55m (£51m).

There was a loss of £17m on international banking, due to an increase of £28m in provisions for bad and doubtful debts.

Lloyds Merchant Bank made a profit of £15m (£2m).

Total assets grew by 11 per cent in 1989 to £27.54bn. Net interest income rose by 14 per cent from £1.95bn in 1988 to £2.1bn, while other income was up by 28 per cent from £1.1bn to £1.42bn.

Operating expenses rose by 17 per cent from £1.98bn to £2.3bn, but the bank's cost-income ratio fell from 65.1 per cent last year to 63.5 per cent.

The ratio would be restored to the 9 per cent level during 1990 with the proceeds from disposals.

Loss per share emerged at 45p (earnings 51p), but a final dividend of 8p (5p) makes a 13.5p (11.2p) total, an increase of 19 per cent.

UBS again defends its position over compensation for Blue Arrow rights

By John Wickes and Richard Waters

MR ROBERT STUDER, president of the Union Bank of Switzerland and the person who as a former vice-president of investment banking sanctioned the bank's involvement in the controversial Blue Arrow rights issue in 1987, yesterday issued a statement

INDUSTRIAL LOGIC

Global challenge forces car makers' alliance

By Kevin Done, Motor industry Correspondent, in Amsterdam

THE SCALE of the competitive challenge that Renault and Volvo face in the future global automotive industry has forced the two companies to join forces.

The pace of mergers, acquisitions and alliances has been hotting up in the last year as automotive groups seek ways of spreading the cost burdens they confront to develop new products and technologies.

In the truck industry, the impact of the new Franco-Swedish alliance will be felt most immediately. Daimler-Benz of West Germany has been the leader of the world heavy truck industry, but it will now be overshadowed by the combined Volvo-Renault. Both have substantial heavy truck operations in the US, Volvo through its Volvo GM Heavy Truck Corporation, and Renault by its 45 per cent stake in the heavily lossmaking Mack.

According to Daimler-Benz, the German group produced 82,000 heavy trucks in 1988 compared with 51,000 by Volvo and 53,000 by RVI, Renault's commercial vehicle arm.

Although the Volvo and RVI

Volvo

Chairman: Pehr Gyllenhammar
West European car market share 1988 - 2.7%

Operations: Cars, Trucks, Buses, Marine & Industrial Engines/Aerospace

Headquarters: Göteborg, Sweden

Sales (SKr bn) Pre-tax Profit (SKr bn)

**VOLVO**

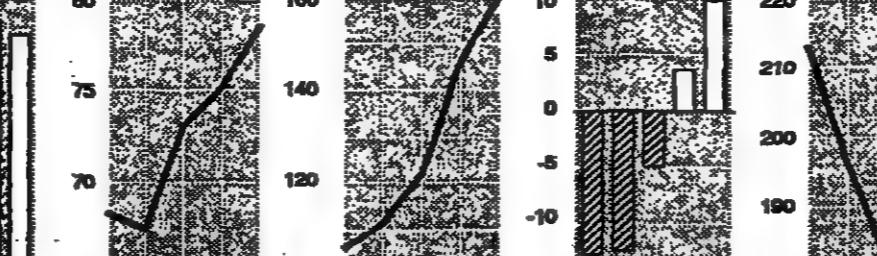
Chairman: Raymond Levy

West European car market share 1988 - 10.2%

Operations: Cars, Commercial Vehicles, Motor Finance and Service

Headquarters: Bézancourt, France

Sales (FFr bn) Pre-tax Profit/Loss (FFr bn)

**Renault**

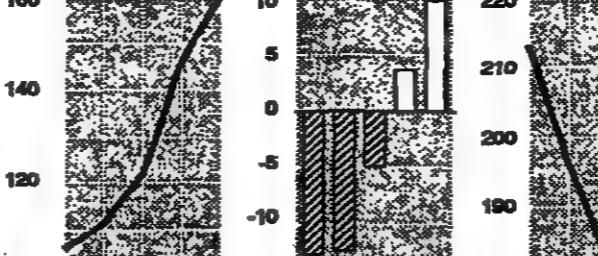
Chairman: Raymond Levy

West European car market share 1988 - 10.2%

Operations: Cars, Commercial Vehicles, Motor Finance and Service

Headquarters: Bézancourt, France

Sales (FFr bn) Pre-tax Profit/Loss (FFr bn)



policies.

- Investment plans to "secure economies of scale and limit unnecessary duplication or waste of industrial resources."

In 1989 Renault produced 1.97m cars and 900 trucks and buses while Volvo produced 405,000 cars and 100 trucks and buses.

Renault faces paying more than SKr1bn to SKr3bn for a 10 per cent state in the Volvo parent company, to be bought at SKr1.6bn.

In the car sector a successful merger may not be easy to produce, partly because of Volvo's delicate market position, which is supported by an image of safety, reliability and longevity. The two groups are in different market segments, but there could be gains from shared product development and components, particularly in the executive and upper medium sectors of the European car market.

Renault is already the main provider of engines and gearbox components to Volvo Car, Volvo's Dutch associate which produces its smaller 300 and 400 series. Volvo takes V6 engines for its top of the range cars from a Renault/Peugeot joint venture in France, and Volvo also markets Renault cars and vans in the Nordic region.

Volvo must apply to the Swedish Government for permission to increase the percentage of non-restricted shares in the company that can be bought by foreigners to 30 per cent to make room for the Renault share purchases.

The Renault parent company into which Volvo will be buying includes finance, real estate management and other industrial activities as well as the vehicle operations.

FINANCIAL TERMS

Share swaps mean Volvo pays SKr12bn

By Kevin Done

THE financial outcome of the deal is unclear, but in outline it appears that Volvo could end up paying around SKr12bn (US\$1.9bn) to acquire its stake in Renault.

Renault faces paying more than SKr1bn to SKr3bn for a 10 per cent state in the Volvo parent company, to be bought at SKr1.6bn.

As a result of these share exchanges Volvo faces an initial net payment of around SKr8bn to bring it to an ownership of 20 per cent of the Renault parent, and an additional later payment of around SKr2bn when it chooses to exercise its option to acquire a further 5 per cent stake in Renault.

Volvo must apply to the Swedish Government for permission to increase the percentage of non-restricted shares in the company that can be bought by foreigners to 30 per cent to make room for the Renault share purchases.

The Renault parent company into which Volvo will be buying includes finance, real estate management and other industrial activities as well as the vehicle operations.

paying gross an estimated SKr3bn.

Also, Renault will acquire a 45 per cent stake in the Volvo truck and bus operations, valued at SKr1.6bn, and 26 per cent of Volvo Car, also valued at SKr1.6bn.

As a result of these share exchanges Volvo faces an initial net payment of around SKr8bn to bring it to an ownership of 20 per cent of the Renault parent, and an additional later payment of around SKr2bn when it chooses to exercise its option to acquire a further 5 per cent stake in Renault.

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loss

According to Daimler-Benz, the German group produced 82,000 heavy trucks in 1988 compared with 51,000 by Volvo and 53,000 by RVI, Renault's commercial vehicle arm.

Both Mr Pehr Gyllenhammar,

Volvo's chairman, and Mr

Raymond Lévy, his Renault counterpart, were at pains to point out yesterday that for the moment the companies would maintain their independence. As yet there is no public talk of rationalisation.

The immediate gains will come from increased purchasing power — Mr Gyllenhammar estimated the combined

purchasing volume of the two groups at more than FF100bn (\$17.7bn) a year — and from shared technology, components and product development.

The two companies said they aimed to strengthen the competitiveness of their automotive operations through extensive technical and industrial co-operation. Each company

would continue assembling its own cars, trucks and buses and marketing its own products.

The co-operation would be based chiefly on the co-ordination of:

- Product development programmes, particularly in advanced engineering and components.
- Purchasing operations and

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INTERNATIONAL COMPANIES AND FINANCE

UAP unveils FF10.5bn issue to fund Victoire deal

By George Graham in Paris

UNION des Assurances de Paris (UAP), the leading French state-owned insurance company, yesterday unveiled a FF10.5bn (\$1.8bn) rights issue, the largest ever on the Paris stock exchange.

The issue will finance UAP's acquisition of a 34 per cent stake in Victoire, the insurer controlled by the Suez group, as well as its exchange of 10 per cent stakes with Banque Nationale de Paris (BNP), the largest French state-owned bank.

UAP claims about 10 per cent of the French market for non-life insurance, and 13 per cent of the life market. Mr Jean Peyrelade, chairman, said its market share in the rest of Europe was between 1.5 and 2 per cent. He planned to double this in the next five years.

UAP will also be the first

company to take advantage of new legislation which will apply the same rules to insurers as to France's other state-owned companies.

From Monday, state insurance companies will be able, like banks and industrial groups, to float up to 25 per cent of their capital on the stock market. It will also be possible, for the first time, for foreigners to buy their shares.

The company is to issue 16.8m new shares at FF1025 each. The state will subscribe for FF1.95bn, keeping 6.5 per cent of the company, with 10 per cent more in the hands of state-controlled BNP.

This will leave FF10.57bn to be raised on the capital markets. About FF2bn of this is expected to be in the form of an international placing.

Mr Peyrelade said the issue valued the entire group

MAN plans DM582m rights after expansion

By Andrew Fisher in Frankfurt

MAN, the West German truck, printing machinery and engineering group, is raising DM582m (\$345m) through a rights issue of voting and preference shares to strengthen its finances and help pay for recent acquisitions.

The Munich-based company - which has recovered from its loss-making period of the early 1980s - has been expanding in its main areas, notably trucks where it has bought manufacturers in Austria and Spain.

However, its attempt to build on its diesel engine activities by acquiring the marine diesel operation of Sulzer of Switzerland has been disallowed by the Federal Cartel Office and the Economic Ministry.

MAN will issue new voting shares at DM330 each - yesterday's closing price was DM440 - and preference shares at DM255, both on a one-for-seven basis. The subscription period is from March 5 to March 20.

The group expects a further rise in profits and dividend in the current financial year to June 30, after a 26 per cent increase to DM264m in group net income in 1988/89 and a payment to shareholders of DM1 (DM5.50). The new shares will be entitled to half of this year's dividend.

On the liabilities side, clients' deposits increased by 5.4 per cent to SF103.8m and the due-to-banks figure total by 7.8 per cent to SF42.2m.

For the first time, UBS has published a group balance sheet. For the parent bank plus 17 subsidiaries, consolidated assets rose in 1989 from SF157.7bn to SF174.1bn.

The board is proposing dividend increases from SF1120 to SF135 per bearer share, from SF24 to SF27 per registered share and from SF4.80 to SF6.40 per participation certificate.

Net interest remained almost unchanged at SF1.71bn, as did income from permanent hold-

Sharp interim fall at Elders IXL

By Chris Sherwell in Sydney

HEFTY PROVISIONS by Elders IXL's finance and investment arm have caused a sharp plunge in interim profits for the Australian brewing-based conglomerate headed by Mr John Elliott.

In a separate announcement, Elders confirmed it was at "an advanced stage in negotiations on a major transaction" with Grand Metropolitan of the UK. It gave no details but the deal is thought to involve a pub-for-breweries arrangement.

The group's figures for the six months to December, released yesterday, showed an equity accounted after-tax profit of A\$163.9m (US\$126m), down almost 20 per cent on the A\$205m reported in the corresponding period a year earlier.

The group's operating profit before abnormal items was A\$285.5m, marginally ahead of the previous figure, on revenues up 6.7 per cent at A\$9.63bn.

But these earnings were reduced by provisions of

shadowing Elders' restructuring announcement.

The report surfaced earlier this week, coinciding with Australian election campaigns. Mr Elliott yesterday repeated his denials of any wrongdoing.

In related developments the Business Council of Australia, a grouping of prominent chief executives, called on the Government to confirm or deny the report and Mr Andrew Peacock, the opposition leader, said he would be inspecting "relevant documents" under a government offer.

Commenting on the Elders results, Mr Elliott said they were "disappointing but explainable".

The brewing division achieved a strong 26 per cent increase in profits before interest and tax, with worldwide sales of Foster's up 15 per cent on 1989 levels.

Against this, earnings from agribusiness, finance, investments and resources were all down.

Directors declared an unbanked interim dividend of 2.5 cents a share, up from an adjusted 8.4 cents last time. Elders shares dipped 14 cents to A\$2.23 on a day when the market as a whole weakened.

Elders Agribusiness is to invest in grain division, selling assets in the US, Canada, the UK, New Zealand and Australia, Peacock adds.

The company is to concentrate on farm services, wool processing and trading, beef processing and marketing, and brewing materials.

UBS to reshape capital structure

By John Wicks in Zurich

UNION BANK of Switzerland (UBS) is planning to streamline its capital structure by withdrawing participation certificates and revising company regulations governing the recognition of registered shareholders.

The bank, however, will not follow the example set earlier this week by Ciba-Geigy, the Swiss chemicals group, and open its register to non-resident foreigners.

At the April 25 annual meeting shareholders will also be asked to approve increased dividends and a capital increase of SF740m (\$272m).

As for registered shares the bank proposes laying down definitive rules for registration. The board now has the right to refuse this without giving specific reasons.

To "preserve the character of UBS as a Swiss-controlled public company," registration will

be limited to Swiss nationals, foreigners with permanent residence in Switzerland, Swiss-controlled legal persons or partnerships with registered offices in Switzerland.

The maximum individual stake in registered-share capital is to be fixed at 5 per cent.

The withdrawal of non-voting participation certificates is intended to "simplify capital structure, increase transparency and improve the liquidity of UBS equities on stock markets."

Net earnings of UBS, rose last year by 15.3 per cent to a record SF102.2m. Net commission income rose 20.6 per cent to SF730m and that from foreign exchange and precious metals trading by 18.2 per cent to a new high of SF55m.

Net interest remained almost unchanged at SF1.71bn, as did income from permanent hold-

ings at SF7.6m. Securities trading income fell 3 per cent to SF45m.

The parent bank's balance sheet expanded by 5.7 per cent to SF176.1bn, with loans to clients up 21 per cent to SF102.5m and the due-from-banks figure down 15.4 per cent to SF42.2m.

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Gardini allies acquire Enimont stakes

By Halg Simonian in Milan

THE BATTLE for control of Enimont, the Italian chemicals joint venture, has taken a further twist with the confirmation that investors allied to Mr Raul Gardini have acquired more than 10 per cent of the group's outstanding shares.

Mr Gardini heads Montedison, the quoted chemicals company which holds 40 per cent in the venture alongside Eni, the Italian state-owned energy concern, which has a similar-sized stake. The remaining 20 per cent of Enimont's capital was floated in an international equity issue last year.

Prudential Bache, the US investment bank which has assisted Mr Gardini in a number of previous transactions, confirmed it had bought 5 per cent of Enimont's stock, while a further 4 per cent is held by Societe Centrale d'Investissement, the French holding company of Mr Jean-Marc Vernes, a long-standing associate of Mr Gardini.

Meanwhile, a stake of just over 1 per cent has been purchased by Mr Gianni Vassalli, an Italian financier who has worked closely with Mr Gardini in the past.

The company, which has recovered from operating profits of only DM1m in 1986/87 - caused by the bankruptcy of its Medicina works in Bari - said the current business year was likely to show a further increase in profits.

Klöckner said this meant there were "no recognisable barriers" in the way of resuming dividend payments. It gave no further details. The company last paid a dividend in 1974/75, before a run of problems connected with restructuring in the steel sector.

Better operating results last year stemmed from high international demand, good capacity utilisation and cost-cutting efforts. The steel division contributed most to the increase.

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LONDON STOCK EXCHANGE

End to a bad week for equities

A BAD WEEK on London's equity market was brought to a close with share prices under further pressure after another steep fall on the Tokyo stock market. The FT-SE 100-share index, posting its fourth double-figure decline over the five trading days, dropped 32.5 to 2236.7, extending the decline on the weak to 89.2 Footsie points. Over the two-week trading account, the index has fallen 76.3. Dealers and analysts attributed the latest sharp fall almost entirely to the performance of international bond markets, especially those in Japan and Germany. Japanese investors have been worried about the recent fall in the

remained nagging worries about interest rates and inflation trends in the UK, which this week had seen other building societies matching the Abbey National in moving their home loan rates up to record levels.

Opening more than 20 points down, which turned out to be about its highest level during the day, the FT-SE 100-share index thereafter remained under constant pressure. This built up towards the opening of Wall Street which many observers were predicting would show a hefty loss, possibly as much as 100 points.

At its worst yesterday, around 30 minutes before Wall

Street came in, the Footsie was down almost 41 points when markets were alive with stories of US savings on the brink of bankruptcy, although sell programmes on Wall Street.

The US market, however,

performed extremely well in the circumstances, and prompted a minor rally in London. The steadier trend was also helped, post 3.30pm, by small-scale buying for the new account.

Turnover levels in London picked up; yesterday saw 472.6m shares traded, the biggest this week. There were conflicting views about the immediate outlook for London equities. Dealers yesterday

were almost universally bearish; "there's very little genuine business about, commissions are being reduced, the banks and it looks as if many more people are about to disappear," was the gloomy view of one senior salesman.

Mr Paul Walton at Smith

New Court was even more forthright about prospects, and said he expects a bounce to 2,400 on the Footsie "with the index reaching 2,750 by the year-end." He said he expected the UK economy to be much stronger from mid-year onwards with inflation coming down. "The UK will be seen to be the best-value play in Europe," he concluded.

yen; yesterday the Bank of Japan, acknowledging the concerns about the yen, said it was "not comfortable about the present weakness" and that it is "prepared to act even in overseas markets." The Bank was in the market yesterday supporting the yen.

In the background there

Troubled day for Saatchi

Shares in Saatchi and Saatchi, the UK advertising agency, fell 42 to 138p yesterday, the company said profits for the year "were unlikely to match market expectations."

Sentiment had already been damaged by renewed publicity for a shareholder lawsuit in the US and a slide in the price of the company's euroconvertible, down 15% percentage points yesterday to 57% per cent of par, and yielding more than 30 per cent to redemption.

SG Warburg, the company's broker, last night slashed its forecast for profits in the current year to £20m, compared with typical industry figures of around £70m at the start of the week. Warburg says with a 62 per cent tax charge, the company will make only 0.1p of earnings per share this year.

The company issued its report and accounts on Tuesday; in the year to end September 1989, Saatchi made a profit of £31.8m against £38.0m.

The convertible has a put option attached, which allows holders in 1993 to sell at £121.71 per £100 of the issue value, a payout which would hurt still further the company's balance sheet, said analysts. The company might have to make provisions against the conversion later this year.

Amid the bad news, Saatchi revealed that South Eastern Asset Management, the Tennessee-based investment institution, had increased its holding in the company by 3 per cent, to 13.2 per cent. This helped the shares to recover from their low of less than 130p.

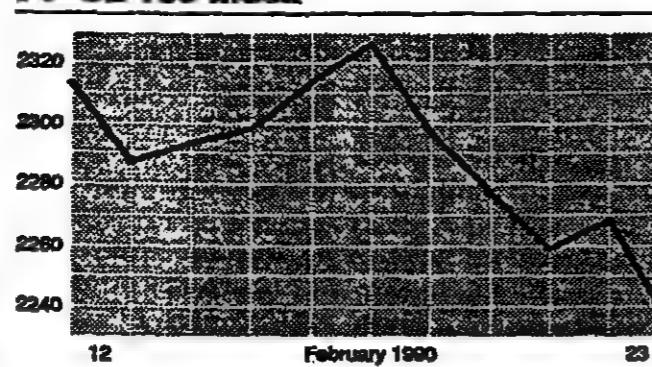
Resilient Ferranti

Ferranti, the defence electronics group, appeared to shrug off its troubles and closed 1% up at 40p having dipped to 37p earlier in the session. Trade was brisk at 6.5m shares.

The change of mood appeared to have been caused by the announcement that Mr Eugene Anderson, formerly chief executive of Johnson Matthey, was to succeed executive chairman Sir Derek Alun Jones. Mr Anderson will assume the responsibilities of chairman and chief executive.

This was the last piece in the jigsaw and should trigger a recovery in the company's fortunes. Many believe that the intended rights issue may not be necessary and that the company may resume dividend payments next year.

FT-SE 100 Index



There was heavy trading in Lloyds Bank following results that were mildly disappointing, according to analysts and marketmakers. The figures prompted a mixture of straight selling and switching into NatWest whose results received a warmer welcome earlier in the week. The weakness was partly countered by cum dividend buying - the stock goes ex on Monday. Turnover in Lloyds swelled to 8m and the price slipped 6 to 265p.

NatWest also benefited from switching out of Midland. One dealer said that now the results were out it was easier to compare performances and the relative strength of NatWest was clearer. NatWest climbed 6 to 35p on busy turnover of 8.4m shares and Midland slipped 6 to 345p as a good 4.1m changed hands.

Barclays, which rounds off the results season on March 1, was pushed to the sidelines, losing 8 to 356p.

County NatWest reiterated its sell recommendations on insurance brokers Willis Faber and Sedgwick. The shares fell 3 to 264p and 6 to 276p respectively.

Sizeable losses were sustained by investment trusts, particularly Globe and Electric after the former revealed an innovative move. The weather factor and a bearish

view from a leading UK house, apparently talking the stock down to a level of 260p to 280p, led to a sharp decline in Gafeir which dropped 20 to 25p. Sunmarc, slightly upset by a flurry of selling early on, caused by a broker's sell note, fell 15 to 15p on turnover of 1.7m shares.

Phillips & Drew became the latest house to scale back expectations for 1990, reducing from £1.4bn to £1.35bn "to reflect the slowdown in the bulk chemicals operation."

Body Shop fell quickly as stories persisted of a possible change in European Community rules on terms of cosmetics. Analysts said that the proposed amendment to an EC directive could mean that the owner would be required to demonstrate that a product was harmless. But Body Shop said that it had been aware of the proposal for some time, and had been lobbying in Brussels against its adoption and did not expect it to go through. Body Shop shares recovered from a low of 50p to close at 51p, a net fall of 5p.

The prospect of redundancies and store closures by A. Goldberg was interpreted negatively by the market and the shares fell 9 to 78p.

Tate & Lyle were 6 easier at 302p on 2.5m on suggestions that a 1.5m line of stock had been cleared during the morning. Dalgety held steady at 370p on small-scale buying. Meanwhile, Rank Hovis McDougall continued to slide on talk that the difficulties in the junk bond market made a bid by Sunningdale less likely. RHM, down 14 at 383p, was also beaten by speculation that it is managing to co-operate with Sunningdale, and could eventually bid with Sunningdale for a European food company.

Unigate fell 10 to 275p as bid hopes faded, though some analysts said Unigate may now be oversold. Unilever slipped 11 to

191p followed the market down as analysts continued to digest the previous day's final figures. The shares were 6 to 10p on turnover of 1.7m shares.

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Edt. Price	Offer Price	+ or -	Yield	Units	Edt. Price	Offer Price	+ or -	Yield	Units	Edt. Price	Offer Price	+ or -	Yield	Units	Edt. Price	Offer Price	+ or -	Yield	Units	Edt. Price	Offer Price	+ or -	Yield	Units	
National Financial Management Corp PLC	6700 705539				Providence Capital	Life Assc. Co Ltd				Royal Heritage Life Assc. Ltd	6700 339442				Scotia Life Assurance Co Ltd (G)	6700 333303				Shadwell Wells Equitable	6700 232001				Royal Bank of Canada Funds
777 Corporation Ltd, Ayerbury, HF15 372					Centred					Shadwell Life Funds					Robertson, Traillor Managers Ltd					Robertson, Traillor Managers Ltd					
Managed Cashflow	1102.9	-0.3	-		Global Fund	6700 723	-0.2	-		Society Of Fin.	6700 333303				Robt. Cawley & Co Ltd	6700 232001				Robt. Cawley & Co Ltd					
Managed Income	1143.1	-0.3	-		Money Instal.	6700 7	-0.1	-		Small Corp. Fund	6700 232	-0.2	-		Robt. Cawley & Co P.L.	6700 232001				Robt. Cawley & Co P.L.					
Managed Opportunity	1413.2	-0.3	-		Asian Equity Instal.	6700 24	-0.1	-		Small Corp. Fund	6700 232	-0.2	-		For Far East P.L.	6700 232001				For Far East P.L.					
Managed Property	1302.1	-0.3	-		Pacific Instal.	6700 7	-0.1	-		Small Corp. Fund	6700 232	-0.2	-		For Far East P.L.	6700 232001				For Far East P.L.					
Managed Services	1474.3	-0.3	-		UK Instal.	6700 24	-0.1	-		Small Corp. Fund	6700 232	-0.2	-		For Far East P.L.	6700 232001				For Far East P.L.					
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The Prudential Plc, Herts, SG5 2WU	0443 422432				UK Instal.	6700 24	-0.1	-		Small Corp. Fund	6700 232	-0.2	-		For Far East P.L.	6700 232001				For Far East P.L.					
Managed Fund	222.0	-0.3	-		UK Instal.	6700 24	-0.1	-		Small Corp. Fund	6700 232	-0.2	-		For Far East P.L.	6700 232001				For Far East P.L.					
Prudential Ass.	274.2	-0.3	-		UK Instal.	6700 24	-0.1	-		Small Corp. Fund	6700 232	-0.2	-		For Far East P.L.	6700 232001				For Far East P.L.					
Prudential Ass.	274.2	-0.3	-		UK Instal.	6700 24	-0.1	-		Small Corp. Fund	6700 232	-0.2	-		For Far East P.L.	6700 232001				For Far East P.L.					
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WORLD STOCK MARKETS

INDICES

NEW YORK ACTIVE STOCKS			TRADING ACTIVITY		
Stocks	Closing Change		Volume		Mills

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. ↑ Excluding bonds; ↓ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

AMERICA

New York resists bout of nerves after Tokyo fall**Wall Street**

ANOTHER sharp fall on the Tokyo Stock Exchange set the stage for a nervous session in the US market yesterday where prices held stable at the open and then slumped before recovering a little towards mid-session, writes Janet Bush in New York.

At 2pm, the Dow Jones Industrial Average was quoted 12.16 points lower at 2,662.41 having stood more than 200 points down at one stage during the morning. Volume was moderate with 95m shares changing hands by mid-session. The Dow had closed 8.79 points lower on Thursday at 2,574.77.

The Nikkei's 2.6 per cent drop overnight, the fifth largest ever, led to sharp losses in European markets and put US equities on the defensive. However, after a holiday-shortened week which had seen a string of daily losses, the US market showed some ability to bounce back from the morning's lows.

In the face of more weakness in the Japanese bond market, in spite of government buying of bonds to support price levels, US Treasuries put in a

steady performance with some long-dated maturities quoted 1 point higher at mid-session.

The benchmark long bond was quoted 4 points up for a yield of 8.54 per cent.

Morning trade appeared to repeat the pattern on Wednesday when the Dow fell sharply in response to a large decline in Tokyo, but then bounced back quite well.

Among featured stocks was Pfizer which fell \$3% to \$65.87, having shown some weakness on Thursday. Pfizer restated its 1988 earnings to account for the possible sale of its pharmaceutical businesses. This reduced net income in 1988 which is now 14 per cent below 1988. Pfizer also said its reserves were adequate for any potential liability on Shiloh heart valves.

West Point-Pepperell, whose opening was delayed, surged 54% in active trading in response to a report in the Wall Street Journal saying that the stock, which has been depressed because the junk bond-financed bid for the company by Furley is in difficulty, presents very good value.

UAL dropped \$1 to \$125.45 after the board authorised the release of financial information to an employee group trying to arrange a buy-out. UAL said it had not received an acquisition proposal from anyone.

Monsanto, which surged on Thursday in response to news that the Food and Drug Administration had cleared Simeza, a new fat substitute, fell \$3% to \$109.00 on profit-taking.

Among blue chips, IBM fell \$7% to \$102.00, American Telephone & Telegraph dropped 4% to \$83 and General Electric added 4% to \$30.90.

Among the hard hit over-the-counter stocks, Tele-Communications A shares fell 5% to \$16.50 and Sealed Life Systems, which has been served with a lawsuit alleging patent infringement by Eli Lilly, fell \$2% to \$13.

Canada

THE falls on Wall Street weakened Toronto and the composite index dropped 15.9 to 2,662.7 on a light day of 14,450 shares. Oil and gas issues, which have enjoyed a good run, followed the downward direction of world oil prices.

Cabot fell 6% to C\$7.40 and Ultramar C\$4 to C\$7.40.

WORLD STOCK MARKETS**ASIA PACIFIC****Nikkei plunges again on programme trading****Tokyo**

PROGRAMME trading rocked the market again yesterday. The Nikkei average took its fifth biggest fall in history, plunging more than 300 points in thin trading to close at a new low for the year, writes Michio Nakamoto in Tokyo.

The Nikkei fell by more than 270 in the first 15 minutes of trading, and more than 700 by the morning close. By early afternoon, it had plunged below 35,000, which had widely been considered a strong resistance level. It ended the day 383.57 points or 2.6 per cent, lower at 34,900.57.

Volume was a paltry 445m shares, down from the 524m traded on Thursday. Declines far outnumbered advances at 285 to 103, with 114 unchanged. The Nikkei's high was 35,803.28 and the low was 34,840.98.

The Tokei index, a much broader-based measure than the Nikkei, suffered its third biggest drop this year and closed 60.78 lower at 2,554.31. In London, the ISE/Nikkei 50 index shed 24.80 to 1,550.58.

With yesterday's sharp fall, the Nikkei closed a staggering 2,381.63 points lower than its level at the beginning of the

week, having lost a little more than 6 per cent in just five days. The leading market index is now 10 per cent off its record high of 38,915.87, which it reached at the end of December last year.

Analysts cited selling in arbitrage with the futures market as the main culprit behind yesterday's sharp fall. While arbitrageurs sold on the cash market to unwind their futures positions, share prices tumbled because there was little buying interest to give the cash market support.

Buyers were hard to find, in a economy environment of rising interest rates, says sagging yen and weak bond market.

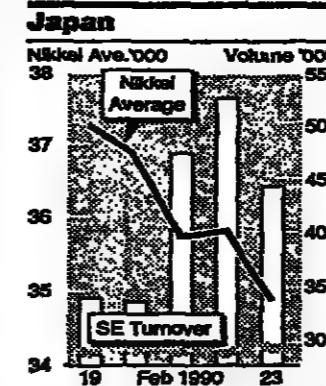
"Institutional investors were just watching the market plummet," said one Japanese trader. "There was nothing they could do."

Institutions did not want to come into a falling market,

even at these lower prices, and risk further losses before they close their books at the end of March. Brokers could not do much either, since, as one foreign broker put it, "they're up to the hit with these stocks and can't take any more."

Individual investors, who were quick to lend the market support after Black Monday, were also put off by the bleak outlook for the yen and for interest rates. The triple merits of a high yen, low interest rates and cheap oil prices, which supported the great Tokyo market rally in the 1980s, have been wiped out, analysts said.

Yesterday, further weakness in the yen and in the bond market weighed on equity prices; and rumours that a scandal involving a leading politician was about to be revealed, now that the national parliamentary elections were over, added to the market'sitters. It is expected to stay volatile support after Black Monday.



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tile until trading in the Nikkei futures March contract and the options contract close on March 7 and 8.

The most actively traded issues were all moving in negative territory. Big steel companies were the target of heavy selling. Nippon Steel topped the list with 11.5m shares and lost Y20 to Y670. Kawasaki Steel followed with 8.9m shares and fell Y19 to Y736.

Osaka suffered a sharp fall of 720 to 34,475.25. Volume fell to 54.7m shares from the 62.7m traded on Thursday.

Roundup

TOKYO'S TUMBLE provoked declines elsewhere in the region, but the damage was limited in most cases by bargain-hunting.

HONG KONG ended down but up from the day's low as afternoon bargain-hunting helped prices to recover from a sharp tumble precipitated by Tokyo's continued plunge.

The Hang Seng Index dropped 33.61, or 1.1 per cent, to close at 2,894.13, up from the low of 2,863.15. The index fell 1.5 per cent over the week. Turnover yesterday was HK\$1.5bn, from HK\$1.4bn. Encouraging results from

Hong Kong and China Gas, which jumped 60 cents to HK\$23, and rumours regarding second-liners helped stimulate bargain-hunting. Crusader Investment, the mining issue, topped the most active list in speculative trading. It fell 3 cents to HK\$1.02.

SINGAPORE closed weaker, disheartened by the sharp losses in Tokyo, although the market did show some resilience, fighting back in the afternoon as investors sought low-priced stock. The Straits Times Industrial Index fell 13.56 to 1,528.57, losing 2.3 per cent over the previous Friday.

Malaysian-based stocks fared better, with second and third tier stocks which have enjoyed heavy interest from smaller investors. However, large investors stepped aside to await the US and European markets' reaction to the Tokyo fall and volume dropped from recently heavy levels to a fairly light 146m shares, worth \$635m. KUALA LUMPUR also slipped, as the composite stock index lost 6.66 to 601.25, a 2.1 per cent fall over the week.

NEW ZEALAND fell, with Barclays Index down 14.18 at 1,793.00, its lowest level since December 1988. Encouraging results from

Overseas events and local politics afflict Australia

Chris Sherwell explains why shares are languishing

RENEWED gyrations on the world's leading stock markets and pre-election worries about domestic economic policy have deepened the malaise infecting Australian shares.

Yesterday, the widely watched All Ordinaries index slithered 20 points, falling below the psychological 1,600 level to 1,581, leaving it 1.7 per cent down on the week and underlining the weakness it has shown since it enjoyed a brief spell above the 1,700 mark in early January.

Since the middle of last October, when all markets were hit by a mini-crash, the index has spent most of its time languishing in the 1,600 to 1,700 range. Although this is well above the low of 1,510 in the aftermath of the October 1987 crash, it is far below the record of 2,305 set a month before that.

Australian analysts do not foresee any imminent change in this unspiring situation, at least until after the general election, called a week ago for March 24.

The principal explanation, they say, lies with international developments. These traditionally provide a lead for the local market – as this week's falls in Tokyo have again confirmed – and mostly they have been discouraging.

"The single major reason why the Australian market has not shifted is that international interest rates have been climbing," says Mr John North of stockbrokers JBWere.

The tightening of monetary policy in West Germany and Japan, and the prospect of further constrictions, have prompted investors to question falls in the level of Australian interest rates, he says.

These falls, initiated by the Labor Party Government before its election campaign, ended an 18-month period of steadily tightening monetary policy, which had hit most sectors of the economy. Not only had domestic demand slowed, but asset values had been slashed and highly geared cor-

porates highly squeezed.

Mr Alan Bond's debt-burdened business empire was one of the most celebrated victims, and the ever-lengthening list of problem companies now includes Mr Christopher Skase's Qanter media and resorts group, the Hooker and Girvan property companies, the Goldberg textile empire, the local Budget car rental business and Mr Russell Goward's Westpac group.

Significantly, however, the Government's easing of policy has brought no fundamental change in sentiment. According to Mr Ian Wrenham of BZW Australia, the easing initially

unlikely to decline much further, analysts say it is difficult to see where the push for equities will come from.

International investors, whose influence over the market's direction is strong, must also make judgments about the Australian dollar. In the current environment, this has become more difficult because of the clear tussle between the Government's desire to lower interest rates for domestic reasons and its need to maintain a high differential with foreign rates in order to underpin the currency's strength and restrain inflation.

The need for monetary policy to continue to play a prominent role in tackling this latter objective was underscored this week by the Labor Party's announcement of a vote-seeking package of economic measures, offering tax cuts, and wage restraint.

This latest "accord" with the trade union movement forebodes a sharp increase in wages for 1990, but it was overtaken by developments abroad.

Indeed, the contagion affecting entrepreneurs has continued to spread to companies such as News Corporation, Adelaide Steamship and FAI Insurance. The media index, for example, has lost 13.6 per cent in February alone, and 22.2 per cent since the beginning of the year. Whereas it used to be safe to buy the top 50 companies, now even the blue chips are under close scrutiny.

Brokers regard the package as a step backwards, because, as BZW's Mr Wrenham puts it, "it will trap inflation at 6 per cent plus, and limit the fall in interest rates in the medium term." It is a view echoed by economists, business groups and, above all, the opposition Liberal and National Party coalition, which insists that inflation and workplace productivity should be priority targets of economic policy.

Analysts nevertheless express uncertainty about the impact of a Liberal-National Government, not least because of the vagueness, at this stage, of its proposed policies. Because the two sides are running neck and neck and many voters remain undecided, analysts foresee a flat share market during the campaign, while investors at home and abroad wait until the outcome looks clearer.

The Government's easing of policy has brought no fundamental change in sentiment

reduced bond market rates and helped the equity market; but it was overtaken by developments abroad.

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JOHANNESBURG

JOHANNESBURG closed weak on nervous selling following Tokyo's dive. Gold shares were also under pressure from a lower bullion price.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change %	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	THURSDAY FEBRUARY 22 1990			WEDNESDAY FEBRUARY 21 1990			DOLLAR INDEX		
										1989/90	1989/90	1989/90	1989/90	1989/90	1989/90	1989/90	1989/90	1989/90
Australia (54)	143.93	+0.5	124.57	125.12	-0.6	5.36	143.35	126.14	126.14	128.14	150.51	128.28	157.85	128.14	128.14	128.14	128.14	128.14
Austria (19)	264.78	+2.9	223.95	228.95	+3.1	1.15	257.25	226.11	226.11	226.11	226.78	22.84						

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Weekend FT

Weekend February 24/February 25, 1990

Junk bond king Michael Milken rose to fame and fortune with one simple idea. His collapse has rocked Wall Street to its foundations. Janet Bush reports

"I WAS just thinking what whiz-kid times these are," Frederick Joseph said, bursting suddenly with excitement, feet dangling boyishly over the arm of a comfey chair in his Broad Street, New York, headquarters. Less than three weeks later, the chief executive officer of Drexel Burnham Lambert told his stunned employees that the investment bank was filing for bankruptcy. His enthusiasm on the edge of the precipice speaks eloquently of the character of a company whose rise and fall will go down as one of the most remarkable episodes in Wall Street history. The Street is still shaking with the reverberations of Drexel's fall.

It was Joseph who harnessed his company to the fathomless talent of a man who will be remembered as one of the most influential financial brains the world has seen. Michael Milken, a rather frightening workaholic and loner with a genius for making money, was the weapon with which Drexel assaulted the US financial establishment.

Around the brilliance of the odd, and-so-called Milken was built the most powerful and controversial force in the financial mayhem unleashed by Reaganite market forces in the 1980s. The reliance of Drexel Burnham Lambert — as the company came to be called — on this single source of creative genius was responsible for its stellar rise to prominence — but also held the seeds of its eventual destruction.

Milken was given unprecedented autonomy, effectively running a secretive firm within a firm. The vast amount of money which his operation generated and its independent, buccaneering style attracted the attention of federal prosecutors and eventually led to the indictment of Milken and Drexel on multiple charges of securities fraud. Although Drexel has pleaded guilty to six felony charges and paid \$50m (£36m) in fines, Milken has yet to appear in court and has continually protested his innocence.

Little more than a week ago, Drexel, after settling with authorities and casting out Milken, came to an abrupt, embattled end.

Many people believed that Drexel's fate was sealed on the day Milken resigned in June last year. They were right: first its bank financing dried up, then days later it was forced to file for bankruptcy. In the steepest fall from grace Wall Street had seen, Drexel fired its entire 5,000 staff and all closed its doors for business.

Its rise had been swift: an also-ran racing up from behind to the annoyance of bookmakers and the delight of the crowd. Its stumble into oblivion was even quicker and few tears were shed. At first, it inspired awe by its power to conjure up money and "to make kings out of court jesters". But by the end, competitors were fed up with Drexel's arrogance and ungenerally methods, while regulators were relieved to see the back of a company which they believed often sailed far too close to the reefs of impropriety.

Politicians cheered the demise of a company which they blamed for launching the US on a spree of takeovers backed by piles of debt which had left corporate America frighteningly fragile.

The pre-eminence of Drexel stemmed from one quirky but clever idea based on sound economics. Milken realised that distressed bonds — those being traded for much less than their face value because the issuing company had fallen on hard

times — could offer great investment opportunities. The discounted price enabled buyers of these second-hand bonds to obtain a much higher yield than they would get from a more secure investment. This extra reward compensated buyers for the risk that the issuing company might eventually default on its obligations.

After studying the records, Milken concluded that the chances of default were in many cases much less than was suggested by the level of return to investors in these junk bonds — a joker term which Milken would later regret inventing. In other words, junk bonds were a great investment because the potential rewards outweighed the risk.

Then Milken — supremely self-confi-

dent, obsessed with becoming rich but with a distaste for hierarchy — realised how junk bonds might be used to help those small emerging companies which could not easily get credit (in economic terms) from premier firms on Wall Street. The two strands of his thinking converged with explosively lucrative effect.

After the merger in the early 1980s of Drexel Firestone and a brash little brokerage called Burnham & Co, everything was done to encourage Milken's money-making alchemy. He moved back to his native California and set up shop among the palm trees of Beverly Hills. There, from his famed X-shaped desk in the middle of a trading floor which he ruled with iron fist and steady intellect, Milken began to put his theories into practice.

At first, Milken's vision broadened. He added to his collection of would-be entrepreneurs such as Victor Posner and Ronald Perelman. The instant billions available from Milken's network soon turned the financial world topsy-turvy in a bloodless but far-reaching financial revolution.

Although widely dismissed in the beginning, the financing of takeovers by junk bonds eventually won academic acceptance. Even corporate managers came to agree with Milken that companies bought with a large pile of debt became more

streamlined and more efficient. The need to pay off debt imposed a necessary discipline on companies which had been sloppily run. Men running nondescript companies, financed by Milken's operation, were suddenly capable of taking over venerable corporations perhaps 10 times their size.

Milken gave the fast established guardians of corporate America a fight which few will forget. Complacent boards, content to give their shareholders steady but unspectacular returns, suddenly found themselves vulnerable to challenges from men they would never have invited home to dinner.

It was when Milken and partner-in-ideas Frederick Joseph wedged Drexel's ability to raise junk bond capital with takeovers that the company began to surge into the front line. Joseph's dream of building Drexel into an enduring institution such as Goldman Sachs propelled him to the top of the firm.

One Wall Street specialist described the partnership like this: "As one vulture said to the other: 'Forget patience — let's go'

and kill something."

In the mid-1980s, Drexel started making kings. It backed the Texas oil magnate T. Boone Pickens in his attack on Gulf Oil, forcing it to merge with Chevron. Pickens lost, but made \$400m in trying.

In April 1988, Nelson Peitz and his partner Peter May, backed only by a controlling interest in an old vending machine, wire and cable company called Triangle Industries and a pile of Drexel junk bonds, bought the much US industrial corporation National Can. An unprecedented \$565m of debt was backed by only \$100m equity in the first of what would become a wave of highly leveraged or indebted takeovers. Triangle's 1984 revenues were only \$291m, compared with National Can's \$1.9bn. With that leg up, Peitz and May controlled an empire with \$4bn in reve-

nings. The tone was set. In August, cigar-toting Donald Perelman bought Revlon for \$900m and in December, corporate raider Carl Icahn bought the airline TWA for \$1.2bn with \$660m in junk financing from Drexel.

The era of mega-takeover deals was under way. Milken's ability to raise cash from his loyal network of junk buyers was so stunning that a raider would launch a deal on the basis of a simple statement from him that he was highly confident of financing it — what came to be called "the highly confident" letter.

By the middle of the decade, Drexel into the consciousness of American's most powerful financiers and corporate chieftains. It became a main source of financing for specialist buy-out firms such as Kohlberg Kravis Roberts and began to be hired in takeover deals being run by other investment banks. If only to prevent the opposition from getting its services.

With an after-tax profit of \$600m in 1986, Milken's vehicle had vaulted from obscurity to become the richest firm on Wall Street; hated with fury by some, loved by others who had received a slice of the cake. Even the most discreet, wood-panelled Wall Street houses such as Morgan Stanley and Goldman Sachs cast off their conservative weeds to keep pace with the tastelessly aggressive interloper. They began to finance deals with their own money — the so-called bridge loan.

"They initiated bridge financing, at great risk to themselves, in a desperate attempt to compete with the 'highly confident' weapon," says Connie Bruck, author of *The Predators' Ball*, a celebrated account of Drexel's rise to power. "What had happened by the fall of 1986 is quite simply, was that Milken had cast not only Drexel but to a large degree the Street in his image." Dark-suited investment bankers, who had carefully nurtured trusting relationships with blue chip clients, turned into prowling egos, hungry for the next deal and more, ever more, dollars. The most successful luminaries gamboled across the society pages with queens of the fashion world and kings of real estate, an ironic contrast with Milken's reclusive genius.

KKR's Henry Kravis, a takeover dynamo married to fashion designer Carolynne Roehm, was a favourite of paparazzi as he swept in and out of lavish parties. John Gutfreund, chairman of Salomon Brothers, became more notorious for the opulent consumption of all things French by his wife Susan, a former Pan Am stewardess, than for running the most powerful trading machine of the 1980s.

Investment bankers became the swagging heroes of capitalism, sometimes

Turn to Page IX

The man who fell to earth

times — could offer great investment opportunities. The discounted price enabled buyers of these second-hand bonds to obtain a much higher yield than they would get from a more secure investment. This extra reward compensated buyers for the risk that the issuing company might eventually default on its obligations.

After studying the records, Milken concluded that the chances of default were in many cases much less than was suggested by the level of return to investors in these junk bonds — a joker term which Milken would later regret inventing. In other words, junk bonds were a great investment because the potential rewards outweighed the risk.

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With the favour of an evangelist, he preached junk bonds, built up a loyal — some said a sycophantic — network of buyers and raised capital for small companies through offerings of junk bonds.

As returns soared and money poured in,

Milken's vision broadened. He added to his collection of would-be entrepreneurs such as Victor Posner and Ronald Perelman. The instant billions available from Milken's network soon turned the financial world topsy-turvy in a bloodless but far-reaching financial revolution.

Although widely dismissed in the beginning, the financing of takeovers by junk bonds eventually won academic acceptance. Even corporate managers came to agree with Milken that companies bought with a large pile of debt became more

The Long View

Sugar-daddies with sour faces



BARRY RILEY
It could be seen as sheer bad timing that investors in both Germany and Japan have turned their attention away from international bonds

long-term living for the role. But that it should happen to both of them at the same time must be regarded as bad luck, although perhaps no more than is deserved by spoilt big-savers like the US and the UK.

The German adjustment is being forced by the externally derived political shock which

is making possible a sudden unification with the East. That is bringing a sharp and immediate rise in an already substantial fiscal deficit and, further out, will generate a large increase in investment. As a result, the Federal Republic's trade surplus will shrink or even disappear, and will set off the resulting capital outflows.

In Japan's case, however, the change has been more predictable — in nature, at least, if not in timing. Over the past couple of years the Japanese government has, uncharacteristically, chased short-term objectives which could lead only to eventual trouble.

A slack monetary policy has served to hold down the yen and low interest rates (plus relaxations of limits on institutional holdings of overseas assets) have encouraged capital to flow abroad and bail out the Americans. But the effect also has been to perpetuate the trade surplus, and what matters critically now is that great risks have been taken with inflation.

Coincidentally, the uniquely Japanese labour market has more or less been able to stand the strain, even in an over-employed economy, and, in the event, inflation has mostly

been confined to the asset markets. But that has proved to be embarrassing enough, especially when the Tokyo property market began to surge again last year (after the failure of the Bank of Japan's jawboning campaign) followed by the

stock market's crazy flight just before Christmas.

The phase of yen weakness must have run its course. During the four years of stability or softness in the currency, Japanese investors have been educated to take a quite different view of overseas exposure, with the scope for currency gains rather than the losses which hit them like a bombshell in the mid-1980s. But this phase of overseas orientation is ending with a flurry of speculative interest by retail investors in European, and especially German, equities which looks like ending in tears.

In the meantime, the fundamental justification for Japanese life companies to send money abroad — that it was the only way they could obtain the required level of bond returns — is rendered out-of-date by the rise in domestic bond yields. And, of course, if the yen should begin to appreciate, existing bonds in dollar-denominated securities would be at risk.

As for the Japanese equity market, the average price-earnings ratio during the easy money period has climbed from 30 to 50. Japanese companies are still performing splendidly and the market is underpinned by the prospect of solid earnings growth. Shifting to a higher interest rate regime without causing a sharp stock market correction will, however, test the Japanese consensus to the limit — and very likely beyond.

SELL AFTER an election. The old market wisdom came good again in Japan this week. After the polls are closed, the politicians can stop promising favours and can get on with the necessary dirty work, like raising interest rates. In fact, the bureaucratic manipulators in Tokyo have held back for the time being, but Wednesday's sell-off in the stock market, which appears to have punctured all the chartist support levels, was a sign that an unambiguous message had got through to the Japanese institutions. Around the world, though, the equity markets have been remarkably slow to respond to the blood-bath in bonds.

It is odd to think that, as recently as last summer, I wrote a column about the global fall in real long-term interest rates — a somewhat mysterious trend even at that time in view of the buoyancy of the world economy which normally would be expected to drive rates higher. Bond yields bottomed out in July, but it was on the back of that that previous decline in rates that stock markets continued to make new highs up to (and even in some cases beyond) the end of the year.

Rising inflation might have been expected to have made bond investors more cautious in the middle of 1989. Average inflation in the 24 member states of the OECD rose from 3.2 per cent in 1987 to 4.8 per cent in 1988 to 6 per cent last

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News from Newton

THE NEWTON GENERAL FUND

At Newton Fund Managers we are launching our third unit trust — The Newton General Fund.

The Fund will be managed by the same people who have produced the outstanding performance records of the Newton Income Fund and the Newton Global Fund. In fact these funds, both of which used to be under the name of Wellington, are respectively first and seventh in their sectors since inception in 1985. (Source: Micropal 1st January 1990. Offer to bid, income reinvested).

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MARKETS

FINANCE & THE FAMILY: THIS WEEK

So you're thinking of buying property . . .

PERCIVAL Pilkington-Ponsonby, aged 30, missed out on the last property boom. His contemporaries all bought their flats in the early 1980s at a time when Percival was expanding his global perspectives by rucksacking his way around the world. Now, though, he has returned and, with property prices tumbling, has decided to take the plunge and become a first-time buyer. What are his options? Sara Webb Investigates — Page III.

Time runs out for PEPs

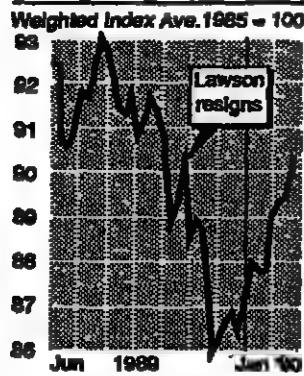
WITH THE end of the fiscal year approaching fast, time is running out for investing in personal equity plans under the old rules. In particular, it could be your last chance to inject an overseas share element into your PEP portfolio. John Edwards sets out the reasons for acting now — Page V.

Jersey rings pension changes

PERSONAL pensions have become an established feature of retirement planning in the past two years. Now, as a result of a scarcely publicised but very significant change in Jersey tax legislation, such pensions are available to British expatriates as well as to non-British nationals resident outside the UK and the Channel Islands. And Jersey brokers are anticipating a flood of new business, says Peter Garland — Page VI.

Coming up Trumps — in England

ENCOURAGED by a caterwauling set of New York career women, Ivana Trump has decided to forget the pre-nuptial agreement with husband Donald that would give her \$20m, plus a \$5m mansion in Connecticut, and is going for a serious share of the property billionaire's assets. She must, though, be wishing she were in England where the courts are jealous of their role in divorce settlements and will not be bound by any pre-marital pacts, reports Christian Tyler — Page VI.

BRIEFCASE: Wife's gift to daughter: Page VII**Sterling****Sterling index surges over 90 once more**

THE STERLING index rose above 90 this week for the first time since the crisis early in October caused by the resignation of Nigel Lawson as Chancellor. The low point for the currency — 85.7 — was touched on December 28 at a time when the markets were casting doubt on the Government's commitment to fighting inflation. Since then, however, the index has risen steadily, surging strongly over the past few days following repeated ministerial statements in favour of high interest rates in Britain for some time to come. Sterling has also gained as a haven for short-term money seeking out high returns at a time when investors are remaining relatively neutral about other currencies. It has advanced across the board: by 7.9 per cent against the yen since the end of December, by 6.3 per cent against the dollar, and by 4.8 per cent against the Deutsche mark. — Terry Dodsworth

Unit trust investment plummets

NET NEW investment in the unit trust industry slumped in January as many investors cashed-in their holdings. Compared with a year ago, the net investment figure was down by almost 60 per cent to £129.5m, against £324.7m in December. It amounted to £210.2m. The fall reflects a big jump in the number of holdings sold back to the funds, amounting to 277.1m against 321.2m in January last year. Gross sales rose to £902m from £845.9m last year, while the number of unit-holders increased to 4.9m from 4.84m in January 1989, and 4.88m in December. The value of funds under management was £56.97bn in January compared with £58.2bn in December and £45.9bn a year ago. — T.D.

. . . and society receipts slump

THE FLOW of funds into the building societies was "uncomfortably low" in January, according to the Building Societies Association. Receipts for the month were about 50 per cent lower than in January 1989. The statistics, which are not strictly comparable because of the flotation of Abbey National in July 1989, showed net receipts of £369m in January against £784m in the same month of last year. Total inflows over the past three months, which were affected by withdrawals to buy water shares late last year, are only slightly above the figure for October 1988 alone. Gross receipts amounted to £2.1bn compared with £3.4bn in the previous year, while withdrawals stood at £7.7bn against £8.6bn in January 1988. Gross mortgage advances rose to £3.3bn in January compared with £2.8bn a year ago and £3.6bn in December. — T.D.

Sara Webb adds: Several societies raised their mortgage rates this week following Abbey National's increase to 15.4 per cent on loans under £60,000. The Woolwich went to 15.25 per cent but the Alliance and Leicester, Nationwide, Anglia, Bradford & Bingley, Leeds Permanent and Cheltenham & Gloucester all matched Abbey. Lloyds Bank raised its rate to 15.7 per cent.

THIS HAS been a miserable week for three of the Big Four clearing banks. National Westminster reported £1bn of its profits. Lloyds, "the thoroughbred among banks," made a pre-tax loss of £715m while Midland lost £616m. The old bugbear of Third World loans had returned to knock hundreds of millions of pounds off their profits in provisions for bad debt. But this wasn't the only spectre from their recent past which came back to haunt them.

A grisly procession of costly disasters hit the banks' profit and loss accounts. These included the Blue Arrow affair, losses on local authority swaps, rising interest rates, stagnating mortgage markets, excessive competition in the credit card business, and risks in the US property market. Although the mood was bleakest at Midland, which has the most severe problems on virtually every front, there was little for the others to be cheerful about. Sir Jeremy Morse, the chairman of Lloyds, compared the situation to a cold winter day with the sun shining.

Misery week for the banks

On Tuesday, National Westminster reported a billion-pound profit plunge to £404m after making a £90m provision for bad debt. The bank has now provided against 75 per cent of its Third World debt.

It also paid out £50m to help settle the aftermath of the Blue Arrow affair and had to provide again for possible losses in the New Jersey property market, where its exposure of \$870m. Group pre-tax profits have plunged by £1bn to £404m.

NatWest is still an immensely large and strong bank, but stockbroker analysts were not impressed unduly by its underlying performance, detecting signs that the group's cost structure is likely to rise in the next year or two.

This was a relatively cheerful performance compared with that announced by Midland, where a huge portfolio of Third World debt is proving much harder to shake off. After put-



Sir Jeremy Morse of Lloyds

Next week Mercantile Credit will probably tell a similar story in Barclay's profit and loss account.

The banks' insurance busi-

ness seems to be coming on well, fulfilling hopes in the air when Lloyds acquired Abbey Life at a bargain basement price in 1988.

Lloyd's credit card operations, the bank disclosed, are expected to move back into profit this month with the introduction of charges. This was the most open statement from any of the banks, which usually veil their credit card profits from mortal eyes. But it suggests that the other banks probably are losing money on this front.

Midland, NatWest, and Lloyds all pushed up their dividends. "Lloyd's Bank incurred a big loss in 1989. Yet, it was another good year for our shareholders," said Brian Fitzman, the chief executive. The share price went up 40 per cent during the year and the dividend increased by 10 per cent.

Lloyds has battened down the hatches and gone into 1990 provided heavily against bad debt and with its reputation for nimble management more or less intact. It looks reasonably well-positioned to sustain its position.

It is difficult to have a similar confidence about Midland, particularly when its problems were compounded throughout 1989 by mistakes in forecasting interest rates.

NatWest's UK business performance looked a little patchy for the second year running. It certainly does not appear poised to regain the first place among the Big Four from Barclays in the immediate future. Indeed, Barclays' results next week probably will have a quietly triumphant ring to them.

All that said, the markets may never have loved the shares of the clearing banks but, at the end of this week, they certainly were not taking flight. Amidst a falling stock market, the banks seemed to be doing reasonably well.

David Barchard

LONDON

Winds from the East give Footsie a chill

SOME VERY chilly winds from the East have swept through the London equity market over the past few days, pushing the indices down sharply to levels not seen since the start of the year. The FT-SE 100 index began the week on a poor note, dropping through the 2,300 psychological support level on Monday. For three of the next four trading days, it was on a downward path.

International influences were the main reason. Japan provided the most dramatic push, with the Nikkei stock average plunging — by 3 per cent on one day alone — in the wake of last weekend's election on fears of a further rise in long-term interest rates and inflation.

The world financial markets generally have been unsettled since the start of the year by the threat of rising inflation and interest rates — fears exac-

erbated by the turmoil in eastern Europe, particularly the rapid moves towards German reunification. The prices of world bonds have plunged, pushing up their yields, and this has stretched the normal gap between the yield on equities and fixed income securities, ultimately putting downward pressure on the price of shares to boost their yields. The UK might not have been at the centre of this turmoil, but nor has it been immune.

The gap between the yield on UK government bonds and equities now stands at around 6.2 per cent, the highest for a considerable time and above the long-term average of around 6 per cent.

Britain's domestic economic worries have added to the headwinds on the bond and equity markets. In particular, the markets were unsettled by reports this week that the Gov-

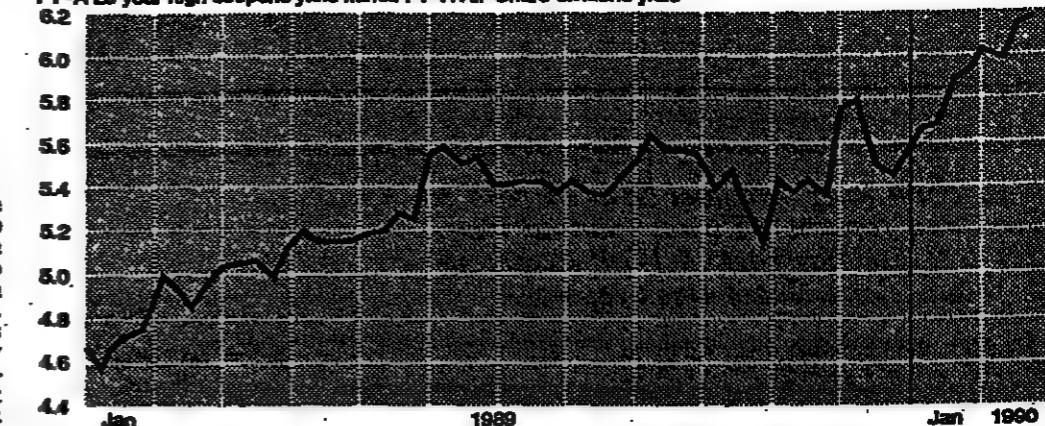
ernment might have to raise its inflation forecast for the year, and a further indication that it expects interest rates to remain at their present high level for the foreseeable future. On a brighter note, sterling has been performing remarkably strongly, but with the Government determined not to relax its anti-inflationary stance, it is hardly likely to use the currency's strength to cut interest rates.

None of this angers particularly well in the short term for the yield on UK government bonds and equities now stands at around 6.2 per cent, the highest for a considerable time and above the long-term average of around 6 per cent.

The British market can detach itself from the global trend only to a limited extent — and the degree of insulation will be influenced significantly by the figures reported during

Reverse yield gap

FT-A 25 year high coupons yield minus FT-A All-Share dividend yield



the large annual corporate results season which is now beginning. This week saw Imperial Chemical Industries — traditionally regarded as a bellwether for British industry — announce a 4 per cent rise in 1989 pre-tax profits but a 15 per cent decline in the fourth quarter as the downturn affecting many parts of the world chemical industry began to bite.

The figures were broadly in line with analysts' expectations, after stripping out unexpectedly high non-recurring profits; but the City of London is divided over the outlook for this year, with some analysts forecasting unchanged profits and others a decline of up to 10 per cent. Still, the market took some heart from the decision by chairman Sir Denis Henderson that 1990 would be "challenging but not a disaster."

Disasters there were aplenty as the big clearing banks began producing their 1989 figures (see sidebar at foot of page). As expected, National Westminster, Lloyds and Midland (Barclays follows next week) all announced large extra provisions against dubious Third World loans. But other areas of operation also created their share of headaches.

Midland, which is still trying to shake off its reputation as Britain's most trouble-prone clearing bank, announced that a misjudgement about the course of UK interest rates

receivers. Sock Shop has debts of £16m and was a considerable factor in its £26m pre-tax loss. At the same time, its Third World debt provisions are well below those of its rivals.

There was rather better news at National Westminster, which saw its profits drop from £140m to £60m — despite a 15 per cent rise in trading profits mainly because of a large increase in provisions against problem country debt. Still, it also paid out £50m because of its involvement in the Blue Arrow scandal and made £150m of provisions for dubious US lending.

Lloyds made a £75m pre-tax loss, with some heavy Third World debt provisioning, and also added hefty to provisions against domestic loans and international commercial ones.

The market was cheered by

18.19 per cent dividend increases, but the clearest figures underline the dangers of deflating loan portfolios in the present economic climate.

That climate claimed the latest in a line of once-glamorous retailers this week when Sock Shop International, the company that made a fortune in the 1980s, was granted permission by the court to draw down £100m of temporary finance in protest at the appointment of Alistair Morton, previously the company's chairman, as chief executive.

The compromise solution involves placing a new manager as a buffer between Morton and the construction companies he has criticised so roundly.

But while the immediate crisis might be over, the course of a project which has soared in cost from £45.8m to £72.2m is always likely to be tame and fractious. Martin Dickson

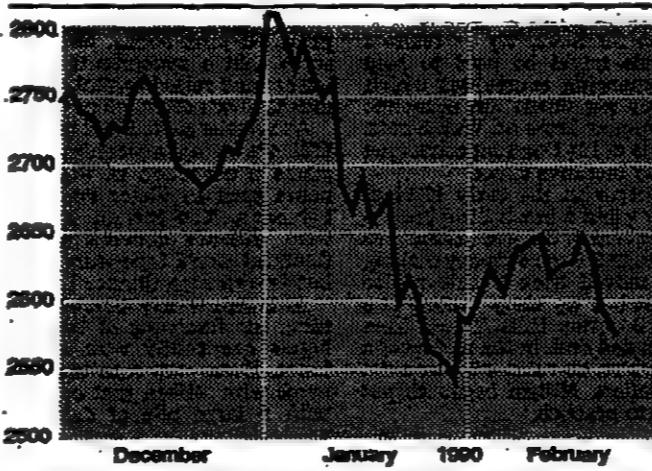
HIGHLIGHTS OF THE WEEK

Price y/day	Change	1989/90	1988/89	Interest rate factors will remain.
FT-SE 100 Index	2236.7	-63.2	2403.7	1722.8
ASXIA Group	104	-3	212	104
Bartsford Ind.	108	-20	172	107
English China Clays	365	+20	541	365
Enterprise Oil	624	-22	620	418
Eurotunnel Units	580	+27	1172	376
Kwib-FR	67	-18	174	57
McAlpine (A.)	324	-34	385	297
NSM	930	-10	1431.2	861.2
NatWest Bank	354	+14	365	255
Santini & Santini	158	-57	421	125
Shell Transport	451	-27	501	327
TVS Enterprises	82	-37	347	92
United Newspapers	354	-25	520	365
VPI	21	-15	210	16

WALL STREET

Now Germany holds the key

Dow Jones Industrial Averages



that would put schoolboy economists to shame. For East Germany's credit demands will stimulate some additional savings automatically. They will also be offset partly by lower investment elsewhere in Germany and perhaps the rest of the world.

Volkswagen builds a plant in Leipzig to take advantage of low labour costs, it probably will construct one less factory in Wolfsburg or Barcelona. In addition, the large pool of German workers will discourage some of the "labour-saving" investment which has dominated German capital spending for the past 15 years.

This leaves the most genuinely troubling aspect of unification — the big social obligations West Germany will be taking on. But here, too, a major offset from the taxes that will be paid by East Germans seems to have been ignored by the markets.

The possibility of large deficit financing cannot be overlooked, but it needs to be put into perspective. The expected doubling of this year's German budget deficit from DM21bn to around DM40bn is smaller than the margin for error in the US deficit allowed by the Gramm-Rudman law.

Of course, according to Wall Street, this year's budgetary impact is just the tip of an enormous iceberg. David Hale, of Kemper Financial Services, has pointed out (in a widely quoted analysis) that the West German Government's budget deficit from DM1.0bn on public services for its 62m citizens, thus, it might spend another DM200bn on its 17m new citizens in the East. It can be assumed that the

possibility of large deficits helped break the ice of initially frosty negotiations with the head of the Soviet publishing house, Mladost. Who James Driscoll met at a Yugoslav book fair. Driscoll, a natural raconteur, makes it sound like a scene from one of his own stories: "The Soviet, a huge man, stood up with a tear in his eye and hugged me. I am now sure you are right for the Soviet Union," he said. "You are very humanistic people."

James Driscoll, the 42-year-old managing director who created the cartoon is convinced that it owes the Soviet contract to the group's philosophy of contributing to the community through Show People campaigns for the NSPCC, the Road Safety Campaign and the Healthy Eating Campaign.

A description of these ventures helped break the ice of initially frosty negotiations with the head of the Soviet publishing house, Mladost. Who James Driscoll met at a Yugoslav book fair. Driscoll, a natural raconteur, makes it sound like a scene from one of his own stories: "The Soviet, a huge man, stood up with a tear in his eye and hugged me. I am now sure you are right for the Soviet Union," he said. "You are very humanistic people."

Palpable evidence of Stora's open-handedness came when it offered the USSR the TV series

— which will be screened at peak time just before the 8 o'clock news — free for two years. When he presented an introductory episode James Driscoll said this was his gift for the children of Russia.

Nonetheless, he acknowledges that the spin-off publicity from the TV series will play a key part in promoting the book adventure.

The 162 copies which form the first stage of the contract will be printed by a joint company

FINANCE & THE FAMILY

In Brief

Good news for savers

WHILE BORROWERS are seeing the recent increase in interest rates, there is good news for savers: several of the building societies and banks have raised the interest paid on their accounts and are trying to attract savers with high interest bonds and deposits. Below are some of the recent rises:

GUARDIAN Building Society will launch a deposit bond at the start of March paying interest of 12.85 per cent net on fixed sums of between £25,000 and £1m. Interest on the bond is guaranteed to remain at more than 5.5 percentage points above the standard deposit rate until maturity on April 1, 1991.

However, Guardian Building Society said that savers who transfer money from their existing share accounts into the bond will consequently receive a lower bonus than they would otherwise be entitled to as a result of the proposed merger between the Guardian and the Cheltenham and Gloucester Building Society. The bonus is worth 4 per cent of one or two balances, whichever is the lower — the balance on October 29, 1989 and on the actual date of the merger. No additions or withdrawals can be made during the bond's lifetime.

FINANCE & THE FAMILY

Heather Farmbrough looks at BES schemes seeking to raise money before April 5

From property to classic cars

THE FLOW of new Business Expansion Schemes (BES), some two months early before April 5, continues apace.

There may be a rush to issue prospectuses, but fortunately there is less hurry to invest. Most issues are open until March 19, which means as long as you allow enough time for your cheque to clear, you still have three weeks to make up your mind.

The signs are that investors are not piling in in the same fashion as last year and there may be plenty of issues which fail to raise even their minimum subscriptions.

Issue costs tend to be much higher for those companies which only just raise their minimum subscription, ranging from 8.5 per cent for these compared with around 6.5 per cent for those where the maximum is raised.

One of last year's issues returning to the market is Capital & Western Estates. This raised £553,976 - not exactly a huge sum - in 1989 with its first offer for investment in

London residential properties to be let as assured tenancies. While world markets are not exactly buoyant, but the company has quite a strong board of executives. Capital has already purchased two properties for development.

Another of last year's names is Artesian II. This company makes no bones about the fact that its main interest is in property development. It intends to buy London properties which it will let for four years as assured tenancies while applying for planning permission. It will then seek to redevelop these, once vacant possession is obtained.

One of the few ways in which a landlord can do this is to carry out substantial redevelopment work. So Artesian should be able to improve its properties and sell them at market rates because it has no tenants. One hopes its tenants are aware of this.

Paragon, another assured tenancy, claims to be a unique concept because it is offering investors both a biannual divi-

dend and the opportunity for your spouse, if he or she is a power of attorney, to transfer that dividend income into his or her separate allowance after April 6, thereby paying less income tax. In fact, investors in other schemes could do exactly the same after April 6.

Investors have no regional choice although a rather vague map in the prospectus suggests the company is looking at properties on the south Wales coast, southern Scotland and one or two cities elsewhere.

Hurlingham, as its name suggests, is concentrating on properties in the Putney area of Kensington belt of West London near the Hurlingham Club. Although it may buy ready-to-let properties, it seems likely that its main interest will be in converting others by what it calls "fast track" methods.

Houses are largely demolished apart from the facade. Timber-framed panels are assembled on site and then fitted - usually in the form of a fully fitted kitchen or bathroom - into

the ground floor of an empty building.

Housebuilding Portfolio is a property company, not an assured tenancy. Up to ten housebuilding and secured contracting companies are to be set up with the proceeds of the issue. The companies will build homes in north west London and hope to sell them from 1991 onwards. The properties will be managed by Banner Homes, a USM quoted housebuilding company, which could well buy the BES companies out after five years.

Costs range from 8.9 per cent at the minimum subscription level to 6.4 per cent at the maximum, which doesn't make it the cheapest issue. But there is a stronger chance of a suitable exit route than in many companies, while Banner offers a management company with a visible track record.

Eastleigh Homes offers the chance to invest in an assured tenancy home in a very specific area - the town of Eastleigh which is located ten miles outside Southampton. The town

has grown by about 12 per cent since 1981 and is expected to continue to expand as local businesses prosper.

The company has identified its first potential location for sheltered housing and flats, although the company is not intending to offer just sheltered housing. Leslie Olson, the managing director, is a local estate agent and in recent years, a property developer. If you live in the area, this might be one to investigate.

Link Assured Homes is returning to the market, sponsored as last year by Williams de Broe but without its former partner Allied Dunbar. Last year Link raised £24m. This was the largest sum raised by any assured tenancy company, but it was boosted by the provision for investment in closed companies which was abolished in the last Budget.

This year's issue offers almost every conceivable provision including a guaranteed minimum growth of 7 per cent compound a year on the initial purchase price of the property for six years. This is offered by Perimmon, a quoted building company, which will be building the properties. Investors are also insured against falls in property values below the purchase price. Tenants will rent their furniture direct from a contractor furnished to help costs.

This is just as well on top of issue costs of 7.5 per cent, annual administration costs etc, the company is budgeting for estate agents fees of 2.875 per cent and a fee to the property managers of 17.25 per cent of rental income as well as insurance costs of about 8 per cent of income.

These are high but not exceptional; companies who

NEW BUSINESS EXPANSION SCHEMES

Name	Description	Raising £	Min Sub £	Closing Date	Sponsor
Capital & Western	Assured Tenancies	£2.20m	£1,000	19/3	
Artesian II	Assured Tenancies	£6m	£1,000	19/3	Neill Clark
Paragon	Assured Tenancies	£4 x £1m	£1,000	19/3	Neill Clark
Hurlingham	Assured Tenancies	£1m	£2,000	19/3	Chamney
Banner	Housebuilders and Secured Construction	£1 x £22.5m	£1,000	19/3	Dier, Capital Group
Eastleigh Homes	Assured Tenancies	£2m	£1,000	20/3	Morgan
Link Assured	Assured Tenancy	Up to £200,000	£1,000	19/3	Williams de Broe
Carisbrooke	Freight shipping	£5m	£2,000	19/3	Carisbrooke
Classic Car	Restoration and sale of cars	£50-515,515	£2,700	30/3	Royal Scotland

rely on a series of professional advisers and managers tend to be more expensive for investors. On the positive side, the minimum subscription is already underwritten and Link is one of the least risky issues on the market.

When Greta Crocker's husband died in 1981, she took over as chairman of Carisbrooke, the shipping company which he founded in 1969 in the Isle of Wight. She is now president and the company is doing well. It made pre-tax profits of £360,000 in 1989 and expects to announce profits of £220,000 for 1989 on net assets of £3m.

Carisbrooke usually transports dry bulk cargoes, such as

John Edwards gives a pre-Budget Pep talk

Now's the time for a top-up

THERE ARE two reasons why you should look at a Personal Equity Plan, the Government's tax-free scheme for encouraging wider share ownership, before the end of the fiscal year.

The main reason is that under the regulations for the new-style Peps, introduced at the last Budget, the time period for the annual investment was changed to the fiscal year, April 6 to April 5, instead of the calendar year basis used previously. So anyone wanting to take out, or top up, a 1989/90 Pep needs to act quickly.

In fact the deadline could well be earlier than April 5. In some cases, notably the unit trust only versions of Peps sold "off the page", investors have to be given a seven-day "cooling off" period in which they are allowed to change their minds and possibly not take up the plan. So the deadline is fixed at least seven working days before April 5.

The second main reason for taking out a Pep before April 5 is that it could be the last

The Pep regulations say you can only take a Pep with one plan manager each year. But this only forbids you from splitting your Pep among several managers. You are allowed to transfer your Pep to a new plan manager. So if you have an existing Pep, which is confined to UK funds only, you could consider a change to a group offering overseas funds.

At the same time you might also wish to transfer if you want to invest the maximum amount of £4,800, but are in a Pep confined to the £2,400 maximum that can be put into investment or unit trusts.

But a word of warning. Transferring a Pep can be expensive, since you might be faced with early redemption penalties or be forced to sell, possibly at the wrong time, existing holdings on which you have already paid hefty charges. For those who have not yet taken out a Pep certain points should be considered.

First, you should not let the prospectus of tax savings cloud your judgment as to whether or not you want to take the risk of investing in shares: a risk heightened with Peps by the fact that you are confined to the UK market and can buy only a limited number of shares because of the limit on the amount that can be invested. This means you cannot get a proper "spread" and buying small quantities of shares tends to be expensive.

Investment and unit trusts Peps are usually better value because most of them nowadays make no additional charges so you get the same product with any benefits tax-free. However, as many investors have found to their costs the value of investment and unit trusts can go down as well as up.

Second, how do you choose a Pep? There are nearly 300 Peps on the market with a bewildering variety of choices. Many are discretionary funds, where the plan manager selects on your behalf shares and/or investment or unit trusts. Others offer investors a restricted choice. There are also a growing number of self-select Peps where you are free to choose your own stocks or funds.

It is difficult to compare performance track records - unless you are simply buying a unit or investment trust Pep - because the variety of choice, and the relatively short period in which Peps have been available,

One answer is to look at the track record of the investment management company. Although running a Pep portfolio may be different to managing a unit trust, groups with good investment teams should be more likely to do well. Another method is to look at the charging structure. Peps with very heavy charges will tend to do worse, simply because less money is being invested.

John Spiers, editor of Best Pep Advice, has devised a method of rating different Peps based on their charges. It explodes one myth that unit trusts are a more expensive way of investing than buying shares direct. With Peps, private investors usually pay dealing brokerage at a rate of at least 1.5 per cent, while unit trusts benefit from being able to buy at low institutional rates of around 0.2 per cent.

However, assessing charges is dependent on making certain assumptions that may not apply to everybody. Best Pep Advice is published by BES Investment, a London-based research group and intermediary (Tel: 01-998-2087). The full version costs £15 a year but a summary, Best Pep Investor, is available for £5.

There are also a wide range of self-select Peps where investors can choose their own investment or unit trusts, although some of these are restricted to UK funds only.

Invest in EUROPE'S FINEST COLLECTION

Six New Unit Trusts for the Growth Markets of the 1990s

The stock markets of Europe provide some of the most exciting capital growth opportunities available at the present time. International investors are only just beginning to appreciate the full consequences of Europe's move towards a single market in 1992. This, together with the dramatic changes sweeping Eastern Europe, should ensure that economic growth is sustained at recent high levels well into the new decade.

With trade barriers tumbling across Europe, companies will have access to wider markets, promoting higher sales, greater competitiveness and bigger profits. As companies look beyond national boundaries, the merits of larger size will continue to encourage the growing level of takeover and merger activity now taking place.

The new found political and economic freedom in Eastern Europe has opened up new markets hungry for goods and services from their wealthy neighbours. The modernisation of Eastern European economies will further fuel the economic boom in Western Europe.

The benefits of these developments will not be evenly spread and a variety of opportunities will arise for investors who may, therefore, wish to invest in different markets at different times. Despite the advantages of being able to invest in individual European markets, no major unit trust group offers the choice between these mar-

kets that is now available from Royal London.

About Royal London

The Royal London Unit Trust Managers Limited is a wholly-owned subsidiary of The Royal London Mutual Insurance Society Limited. The Royal London Group currently manages funds of approximately £3 billion, over £70 million of which is already invested in Europe. Royal London was the only group to appear in the top ten unit trust management

groups for both UK and international unit trusts for last year.

Six New Unit Trusts

With 1992 fast approaching, Royal London is now able to offer a unique range of six specialist European unit trusts all



MINDING YOUR OWN BUSINESS

Banks for small companies: Roy Hodson looks at what Barclays has to offer

If big is beautiful, bigger is better

MARKET share is something that makes the eyes of Barclays and NatWest bankers light up. For many years, they have boasted to be the biggest bank in Britain. Indeed, there have been occasions when both have claimed the accolade at the same time.

This burning desire to be big will not concern small business people very much. Indeed, some may find it puzzling as they develop their careers on the notion that small is beautiful. But when you tap a Barclays manager, it is worth remembering that he is likely to have had intense training in selling his bank and its services. He will be anxious to do a deal. If he can win a new account, he will have contributed his mite for the day towards making the group just that little bit bigger.

Barclays handles around 7m accounts through its 2,700 branches, of which just over 1m are business accounts. A breakdown of these shows there is heavy support for new and fledgeling businesses.

Only a small percentage of the accounts are for companies with more than £1m annual turnover; 22 per cent are for firms turning over between £100,000 and £1m. Of most significance to small businessmen, 75 per cent of all the Barclays business accounts are for operations turning over less than £100,000.

The managers responsible for the bank's small business strategy are fond of quoting that figure. They maintain robustly that, although their bank is big, their hearts are with the small business person.

Most people looking for help from Barclays will deal with their high street branch. But while it is not true that managers do their work on the golf course, often they are out meeting clients or are away on courses of the non-golfing variety.

Barclays realised some time ago that the biggest problem for small business users was finding someone, apart from the elusive manager himself, to deal with prob-

lems as they arose. The answer has been to appoint an up-and-coming staff member in each branch as Business Banker, sitting at a clearly-labelled desk and acting as the main point of contact for small business customers.

Michael Tucker, who is in charge of small business development, says every branch should have a Business Banker by later this year.

If, however, you want more specialised help, then you can go to one of the 328 Barclays business centres in Britain where the managers spend their entire working life providing finance and banking facilities for industry and commerce. You are also promised a "one-stop" service for your business and personal banking affairs at the centre you choose.

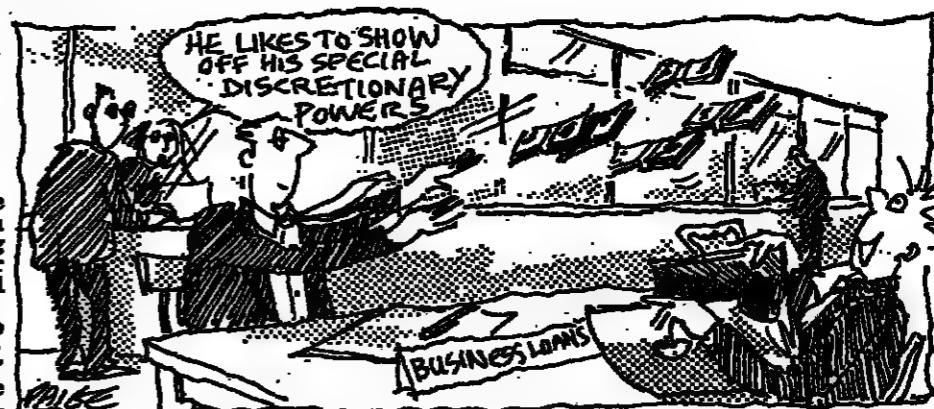
Richard Cracknell, senior manager of Barclays business development section, says: "During our rolling programme of business training courses, the primary

thrust has been to train people for the business centres. Now that these are in place and manned, Barclays is extending its business training programme to cover managers and senior staff in its retail branches."

It is worthwhile trying to work out who in the bank actually has the power – known professionally as the "discretion" – to lend you the money you need. Those with the biggest discretionary powers usually will be found in the business centres and authority to lend him is not uncommon.

If your new business is in the technology sector, remember that Barclays has 60 high-tech centres within its network of business centres. They are sited as strategically as possible; the one at Reading in Berkshire serves the M4 "silicon valley" computer industry.

Barclays grew to be a national institution as a result of amalgamations of local and regional banks and today has 24



regions which can serve a small business well – particularly if it is situated in your region. For instance, someone looking for capital to back an invention for agricultural use is likely to get a more understanding reception from the bankers of West Anglia than their colleagues in the Midlands or Scotland.

The bank is now installing a national "medical help-line" for doctors and dentists in its business development section in Lombard Street, London.

It will advise, quickly and clearly, on the financial complexities that arise in running professional practices and the help available. Another help-line handles queries from people interested in taking out a business franchise.

Last but not least: if you think your business has a part to play in the new Europe, Barclays has appointed officials in each region known as "Mr 1992". Their job is to field any questions on Europe that could floor your local manager.

From Edwardian luxury to vessels for the family budget

Jolly good boating business

COLIN Swindale and Denise Pearson are not the usual husband-and-wife team you would expect to find on page one of the business textbooks.

True, as a skipper, he does the practical side of their boat-building business and Denise Pearson knows how to type, keep the books and chase up the orders. But she also takes her turn in the boat building shed at the side of the marina that is the workshop for their company, Swansea Maritime Services.

"If you want to do something you find out how to do it. I'm a dab hand with a big saw," she says. "When we started there were just the two of us. He needed someone to hold the nut while he tightened the bolt. It helped if someone else did the sanding down. I quite enjoyed it and quickly learned how to do things that would speed the work."

Her training was as a medical laboratory scientific officer in the health service, but now she casts boat projects or boats down suppliers as well as working on the boats.

Swansea Maritime Services builds and repairs boats. The company began when Swindale was asked by the city Maritime Museum to restore an exhibit, an Edwardian gentleman's racing yacht. He is a skipper by training and previously had his own business on the East coast.

Swindale and Pearson started from scratch. After the commission for the museum, the company became established with a contract to "do up" 33 rowing skiffs for a lake in Cardiff. The job came by accident.

"Cardiff corporation, which owned the boats, looked up a repairer in Yellow Pages and

passed on our name," Swindale says. "But the company it approached knew of us and passed on our name."

From that lucky beginning in 1986 the husband-and-wife team have built a business with a turnover topping £100,000 a year. They now employ two others and a trainee.

Now Swindale may buy in a hull and build the rest of the boat. Or he might design and

build a one-off yacht. The com-

pany is also agent for Tyler Boat Company and has just completed a yacht down to the last details, including cutlery and chairs, for a Jersey buyer.

Just before Christmas he delivered a former lifeboat

from a tanker to a businessman in Newport after fitting it with an engine. And shortly he will be handing over a Nelson 34-foot, motor yacht, to the minimum, company Alusuisse.

The vessel, the company's first

export order, cost £50,000.

A wrong number set a husband-and-wife boatbuilding team on the road to success. Anthony Moreton reports

picked the wrong one," Swindale says. "But the company it approached knew of us and passed on our name."

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The vessel, the company's first

Mike Burns, of Swansea's Centre for Trade and Industry, the borough-led body devoted to encouraging industry in the city. The centre made them an interest-free loan to buy machinery and has given them advice and morale support ever since. "Mike Burns has given us unlimited advice and help and smoothed many of the problems that have faced us," Denise Pearson says. "I know that if I ever need help I can go to him. This is important for a small business because you simply cannot know everything there is about changes in taxation or rates policy."

In the boat building industry repair work tends to be concentrated between now and Easter, and new building over the summer. It is also a hand-to-mouth business, with no certainty of where the next order will come from. This year, just as they are getting on their feet, sharp increases in interest rates and a home market that is taking a wait-and-see approach will make life difficult.

For the future, their aim is to build a traditional family day boat at a reasonable price.

Swansea Maritime Services, Maritime Quarter, Swansea SA1 1UW. Tel. 0783 465542.

Denise Pearson and Colin Swindale: a thriving business in the boatyard

Alan Harper

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SEMINARS

AUSTRALIA PROPOSED FOREIGN SOURCE INCOME RULES

The Australian Federal Treasury recently released draft legislation on changes to the taxation of foreign source income. These rules will impact offshore business structures of Australian companies and individuals, as well as persons dealing with such entities (e.g. Banks and Financial institutions etc.)

Ernst & Young, leading international business and financial advisers, are holding two seminars to address the impact of these rules and identify planning opportunities available.

The seminars are to be held between 4.00pm and 6.30pm (followed by cocktails) on 1st and 7th March 1990 (the 7th March seminar will be focusing on Banks and Financial institutions only) at Ernst & Young, Beech House, 1 Lambeth Palace Road, London SE1 7BU.

To register for one of the above please contact: Michelle Beard on 01-921 3778. No charge will be made for attendance.

Ernst & Young

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BUSINESSES FOR SALE

Bio-Medical Research Ltd. (in Receivership)

The Receiver is offering for sale the business and assets of Bio-Medical Research Limited.

This is a modern production facility for electronic assembly and includes:

- Freehold premises comprising circa 36,000 sq. ft. at the Industrial Estate, Shannon Airport, Co. Clare.
- Plant and machinery
- A skilled experienced labour force is available locally.

The company is engaged in the design, development, manufacture and distribution of a range of electronic neuro muscular stimulators for physiotherapy and beauty applications.

The products are marketed under the "Slendertone" and "B.M.R." trade names.

Interested parties are invited to contact the Receiver,

Patrick Dermot O'Reilly F.C.A.
Coopers & Lybrand
Chartered Accountants
88 O'Connell Street
Limerick
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Fax: (061) 317691

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COMPANY ANNOUNCEMENTS

Mr. Peter Ackers has been appointed Senior Vice President of Optima Fund Management Limited.

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PERSPECTIVES

Despatches

Surgut or bust: an Aeroflot odyssey

Steven Butler found the going hard, cold, and unpredictable — and as for his schedule . . .

SOMETIMES, even in the Soviet Union, the best-laid plans all go wrong. The day started well enough in the pre-dawn cold of Khabarovsk, the Soviet outpost at the northern tip of Manchuria which is seven of the nation's 11 time zones east of Moscow. The packed snow crunched merrily under my boots as I left the hotel and got into the waiting taxi.

At the airport, Aeroflot's flight to Novosibirsk, an industrial city 1,500m on the Trans-Siberian Railway in western Siberia, left on time. It arrived on time, too, after six hours (including a stop beneath the giant hydro-electric dam at Bratsk) of travelling above frozen wilderness. This is when the troubles began.

The ticket for the connecting flight to Surgut, an oil town about halfway to the Arctic, was bought two weeks earlier. Since then, however, Aeroflot had changed the schedule, giving no advance notice.

Under the old one, there would have been about eight hours to make the connection for a 5pm flight north. Also, the re-scheduled plane left on time at 8am, presumably with two empty seats — one for me and the other for Sergei, my interpreter and guide.

His agitation was assuaged visibly by an assurance from the sweet, smiling tourist representative manning the large, empty, international passenger lounge that we were guaranteed seats on the next day's flight. Just stop by in the evening to re-confirm, she said.

Our next bit of "luck" was a vacant room at the airport hotel (although I couldn't help wondering, whose reservation did they cancel?). After that, lunch appeared the only remaining serious problem.

A large, matronly woman manning the drinks counter in the lounge volunteered to make sandwiches. There were two choices: salami or caviar. Thus lunch consisted of mounds of bright-red salmon eggs spread atop sour Russian rye bread, buttered and cut into diamond shapes with the crust removed carefully, and washed down with fizzy, alkaline mineral water. (I think I'd have chosen Perrier, even with the benzene.)

The hotel's reception desk looked like the tall, imposing counter of a pawn shop, with the clerk protected by a thick, scratched Plexiglas window with a small, jagged-edged portal cut roughly at the bottom. Our room on the first floor had four small beds while a yellowing sink lit by a dim fluorescent tube provided cold and hot water. I wore a peculiar metallic orange. Still, the room was tidy and reasonably clean, although the sheets were tattered and full of holes. But the toilet down the hall was beyond description.

We spent the afternoon in Novosibirsk attending a debate

over the economy in connection with local elections. No policy consensus emerged as far as I could see, other than agreement that something was fundamentally — indeed, catastrophically — wrong with an economy that could put men into orbit but couldn't get soap and laundry paper on to store shelves.

Dinner at the hotel consisted of vinegared cabbage plus a liver-in-gravy concoction dumped on over-cooked spaghetti. It was afterwards that disaster struck again. A considerably less sweet and willing tourist official, from the evening shift, told us that the next day's flight was full. We would get on it "only if you are very lucky. Don't be late."

We weren't, but Aeroflot was. The temperature in Nizhnevarovsk, the scheduled stop en route, had fallen to -47 Celsius and it was foggy; thus, the flight was delayed. After four hours, Sergei emerged from the international

'The passengers were fitted-out comprehensively for a Siberian expedition: fury boots, dead animals on the head, heavy sheepskin coats. Unfortunately, the cabin temperature on the aircraft was 95 degrees . . .

lounge and sought out the manager of the airport. She listened sympathetically to his pleas of misery and warnings that the future of Soviet-British relations (the Soviets love Mrs Thatcher) was at stake. Instantly, we were confirmed on the flight — if it ever left. And, eventually, it did, seven hours late with empty seats after the temperature along the way rose to a tepid -44.

The passengers were fitted-out comprehensively for a Siberian expedition: knee-high fury boots, dead animals on the head, heavy sheepskin coats. Unfortunately, the cabin temperature on the 45-seat,

survival kit for arduous travelling in the Soviet Union:

- Toilet paper
- Soap
- Water filter
- 220 watt electric coil for boiling water plus tin cup
- Food rations (cheese, nuts & raisins, chocolate bars, etc)
- Vitamin pills and any medicines that might be needed
- One long novel and a portable chess set

propeller-driven, Antonov aircraft was 95 degrees. (I had a thermometer!) Three hours later in the foggy, deepening twilight, the stewardess emerged from the cockpit to announce that the airport at Nizhnevarovsk had been closed and we would land . . . where? We were running out of fuel.

I turned to Sergei to ask again so I could write down the name of this mysterious place. A conscientious sort who hates surprises, he was not amused. "When we get on the ground, I'll tell you everything," he said, each word dripping with annoyance.

After another half-hour or so, the aircraft landed and came to rest in a 2ft snowdrift. A frigid wind sliced across the tarmac as passengers piled out to re-claim luggage from the nose of the plane. The terminal building, which looked like a large, run-down garage, was jammed with more people in fury hats and boots.

Sergei, who had disappeared into the crowd, came back and told me to follow him. He led me to a small, private lounge that looked like the inside of an abandoned bungalow — a broken-down sofa covered with a worn Oriental rug, plastic laminated cupboards with doors half open and an empty, broken refrigerator. It turned out we were in Nefteyugansk, about 100km from Surgut.

"We've told them that either we find a car to take us to Surgut or they get us to Moscow as quickly as possible," said Sergei, with evident satisfaction at threatening some action. But he warned we would have to "pay through the nose" to get to Surgut. And we did: 150 rubles (215 at the tourist rate). I told him, reluctantly, that this was half the cost of a taxi home from Heathrow airport for me.

We crammed into a tiny, battered, yellow Lada estate with a tracery of cracks running up and down the windscreen. (Obviously, another item in short supply.) The driver put in some petrol and set off across the forbidding landscape. He tried to stay in the relatively clean centre of the road but it was necessary to skirt snowdrifts in the dark and we slipped and slid over the ice as avoided oncoming traffic or passed trucks kicking up giant waves of snow.

Winter drivers in the Soviet Union, I had learnt, do not expect to keep four wheels stuck firmly to the surface; they accept that skidding and swerving is part of getting home. Our trip included a drive across the frozen surface of the Ob river, which winds lazily through the Siberian swamps, north toward the Arctic. (There is a ferry service in the summer.) Finally, we arrived in Surgut. Not on time.

Steven Butler

The man who fell to earth

From Page 1

childish in their desperation to be the biggest and the best, at the expense of much regard for the corporations they were advising. Bruck reports in her book that in 1983, Drexel's executives appended to notes of a management meeting of intention in block letters: "TO BE AS BIG AS SALOMON SO WE CAN BE AS ARROGANT AS THEY ARE AND TELL THEM TO GO STUFF IT."

The height of the frenzy in investment banking which Drexel had set off was the battle for RJR Nabisco, the food and tobacco conglomerate and one of America's most venerable companies. Wall Street went to war, with almost every force in mergers and acquisitions fighting shamelessly for a share of advisory and financing fees.

After all the bidding, KKR

bought RJR for \$3bn with a huge slice of junk bond financing from Drexel. For a time, RJR looked comfortable in paying off the enormous debt taken on to win control but, last month, doubt was cast on even this apparently solid deal when Standard & Poor's, the credit rating agency, downgraded some of its bonds.

It was only the latest slippage in a junk heap which had begun to look alarmingly unsafe. Throughout the 1980s, there were defaults as companies bought with piles of debt.

Drexel was embroiled in fresh controversy last week when it emerged that he had paid an estimated \$350m in bonuses to his staff in the weeks before it filed for bankruptcy. Furious creditors, who feel that the pool of money available to pay them may have been diminished, called on the judge presiding over Drexel's bankruptcy to look into the matter. A hearing is set for March 1. Drexel has always been known for paying out large performance-related bonuses, a major plank of Frederick Joseph's management strategy. Milken, through his own investments and his pay and bonuses from Drexel, is thought to have become a dollar billionaire by 1986.

Wall Street believe that Drexel was bullied out of business by a disapproving SEC and by Rudolph Giuliani, the public-concious US attorney in Manhattan. He broke Drexel's will by threatening it with a racketeering charge under the Racketeer Influenced and Corrupt Organizations Act, designed originally to fight the Mafia, but now discredited because of the widespread practice of seizing a firm's assets even before trial.

The judgment of historians will depend on whether they believe Drexel's assault on lackadaisical managements helped create a slimmer, more competitive corporate America, or whether it damaged the

found they couldn't make their interest payments. As the decade drew to a close, more and more companies were struggling.

Robert Campion, the Canadian real estate developer, who vainly sought to found a US retail empire on a dream and junk debt backed by First Boston, saw his feifdom unravel under the weight of interest payments. A number of the aspiring companies created by Drexel went under and the junk bond market, which Milken had so successfully supported (acting as junk bond buyer of last resort to foster confidence) went under.

In an attempt to save the company, Drexel decided to

Digging in for the battle of Naseby

Antony Thorncroft reports on the shameful neglect of Britain's historic wargrounds

THE BATTLE for Naseby was fought again this week with the mid-named Chris Patten, Secretary of State for the Environment, in part of Oliver Cromwell. The site of the most decisive battle of the English Civil War, in which Cromwell's cavalry inflicted a crushing defeat on King Charles I, is under threat from a major road that would desecrate the site.

This is the latest episode in the dismal history of neglect of Britain's historic battlefields — a neglect that many visitors from other countries must find astonishing. The Naseby site in Northamptonshire appears to have been saved more than a decade ago after conservationists insisted that a proposed link between the M1 motorway, the A1 trunk road and the east England ports should avoid the battlefield by taking a more southerly route. But the relief was temporary. A new report is being prepared for Patten and the heritage lobby fears it could have been out-punched by the area's influential hunting community, which favours a northern route that would drive a four-lane highway across one of the most unchanged battlefields in the country.

Unlike most other nations, especially the US, England shows scant concern for its battlefields. Most are marked on maps but you are fortunate to find more than a wrongly-placed obelisk commemorating those bitter turning points in the nation's history. Naseby is a case in point. Apart from a couple of copses and some enclosing hedges, the rolling countryside is unchanged from June 14 1645, when Prince Rupert's cavalry tore through the Roundheads and only the genius of Cromwell, launching a furious counter-attack on the Royalist left and doubling back to pincer the enemy infantry, saved the day.

In Victorian times, visitors a plenty supported three hotels in the village of Naseby. Now, there is just a rudimentary, ill-stocked museum on the site, signposted badly and accessible only through a farmyard. David Chandler, of the military history department at Sandhurst's Royal Military Academy, has visited most British battlefields and gives a depressing run-down. Only in Scotland, where the National Trust takes an interest, is anything done to inform the visitor and safeguard the sites. Culoden is worth the diversion, although the actual moor has been ruined by conifers. Killiecrankie and Bannockburn are also cared-for fairly well.

Some battles — such as the two fought at St Albans, north of London, during the Wars of the Roses — are lost beneath urban development but many, like Marston Moor and Edgehill, took place in open country which has not changed much and enables historians to conjure up the scene (albeit with the help of a textbook rather than the well-appointed museums that the sites need).

Even the field of Hastings, now in the grounds of a private school, retains such features as the Senlac ridge where



Chris Patten grappling with the ghosts of Cromwell and Charles I at Naseby battlefield

Leicestershire County Council, alive to the potential from tourism, has converted an old farmhouse into a visitor centre, complete with showings of the Olivier film of *Richard III*. The battlefield, so to speak, has survived well, making it the "best buy" among English sites.

By contrast, the local council responsible for Sedgemoor in Somerset (which Chandler lists — along with Hastings, Naseby and Bosworth — as one of the key English battles, because it was the last) decided recently by one vote not to invest in a tourist bureau. This is doubly depressing since the battlefield at Sedgemoor is virtually unchanged.

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Major Tony Holt, who runs Battlegrounds based in Sandwich, Kent, takes enthusiasts to 40 different sites worldwide. He has explored the Falklands and this year added Vietnam to his schedule. He leads parties to the Somme and other sites of the First World War, such as Vimy Ridge where trenches are preserved to give visitors a feel for the horror of the place.

The beaches where the Normandy landings took place in 1944, and the

immediate hinterland, receive thousands of travellers with car parks and signposted routes, and a Peace Museum has been set up at Caen. But Holt no longer leads tours to British battlefields: he has tried, but it proved disappointing.

The most obvious body to fight for the heritage industry becomes the American Revolutionary and Civil wars incorporated in state parks and maintained lovingly, with comprehensive information facilities from literature to audio-visual presentations. Gettysburg alone has more than 2,000 individual monuments and, until the recent growth of pleasure parks, battle sites were the most popular outdoor attraction for Americans.

Tourism Major Tony Holt, who runs Battlegrounds based in Sandwich, Kent, takes enthusiasts to 40 different sites worldwide. He has explored the Falklands and this year added Vietnam to his schedule. He leads parties to the Somme and other sites of the First World War, such as Vimy Ridge where trenches are preserved to give visitors a feel for the horror of the place.

As the heritage industry becomes ever more important as a revenue earner, and a form of mass entertainment, a move now by a well-meaning arbiter like English Heritage to take the nation's main battlefields under its wing could prevent wasteful neglect, tasteless exploitation of unless Parliament shows its Green side — without destruction.

Genius of the Place A safe house for soul and psyche

"I hate the sort of allegorical painting where people can say 'Ah, so the pose equals the penis' and so on. I want the penis to be the penis."

THIS IS THE words of Lucian Freud, the painter. They state an attitude with which many of us will sympathise. A rose is a rose. A dream is a dream. If it was a strange dream, put it down to that trusted cheese at suppertime. Plenty of people live lives free of psychological inquiry, and their number may even include the descendants of Sigmund Freud; though I doubt that Lucian Freud goes so far into the no-nonsense camp as to

dismiss completely the business (and it can be big business) of psychoanalysis. To regard shrinks as trick cyclists is still permissible in Britain, less so in the US, and prior to visiting Freud's house in Hampstead, London, I would have counted myself as inclined towards a commonsense scepticism. But having been there, I find Freud means more.

It is a house like the others in Maresfield Gardens, NW3. But it calls itself a museum with good reason, for it is full of antiquities. Near Eastern, Egyptian, Greek, Byzantine and Roman: mostly small-scale, but obviously a collection of someone who had an eye for the authentic and the interesting. They are stacked about the house as Freud had them in cabinets, as free-standing ornaments, and on his desk, where he was given to fiddling with them as he wrote. Some of them are there because Freud was simply fascinated by what Heinrich Schliemann, the German businessman fasci-

nated by the tale of Troy, and other archaeologists were bringing to light. We know that the whole process of archaeology provided Freud with a metaphor for the science of psychoanalysis; others have a particular Freudian interest, such as the Athenian vase depicting Oedipus and the Sphinx.

Among the statuettes are several Erotes — pugnacious little amblems of the large libidinous forces which Freud perceived at work in the human unconscious. When Freud defined an "archaic heritage" that affects us all, he meant certain patterns of religion, morality and custom which operate even though we may be unaware of them. An Erosian pot may illustrate those patterns better than words: hence Freud's need of his relics. In his house, you cannot get away from them; including the carpet-covered couch for his patients. For a year he carried on working up to his death in September 1988.

One good reason for admiring Freud is that Adolf Hitler detested it. Freud's books were burnt publicly in 1933. That did not shake his faith in historical progress; he pointed out, they would have burned him as well as his books if it had been the Middle Ages. But one does not know how narrowly he missed death in a gas chamber. He escaped to Maresfield Gardens, Walk up to Hampstead Village, and within a stone's throw range you have a choice between several English pubs, a French bistro or two, a Yankee burger bar, and restaurants of Chinese, Greek, Indian, Italian and Thai complexion. The choice is yours: praise is for such choice.

■ The Freud Museum, 20 Maresfield Gardens, Hampstead NW3 is open Wednesday-Sunday, 12 noon - 5pm. Tel 01-435-2002/5167.

Nigel Spivey

Making a mint in Wangara

GOLD-DIGGERS of 1990 might consider a trip to the land of Wangara, a land without beasts of burden, situated on a river about 20 days' journey from the Ghanaian entrepot. But the Queen's Remembrancer issued a health warning. The people there are exciting, their archers excellent and their arrows poisoned.

These gems of information emerged at the recent Trial of the Pyx, one of London's more curious ceremonies. At the Ironmonger's Hall a grey-suited jury of 21 men and one woman sat along benches behind copper bowls and weighing machines, ready to "ascertain that the coins made by the Royal Mint are of the proper weight, diameter and composition required by law."

This trial, presided over by the Queen's Remembrancer, has been carried out annually since 1282 in response to a direction issued by the Treasury. The jury, made up of Freemen of the Goldsmiths' Company, tests samples of the gold, silver and cupro-nickel coinage of the realm.

Alerting the jury to their responsibilities, The Queen's Remembrancer told the jury, the Deputy Master of the Royal Mint, and the Director of the

National Weights and Measures Laboratory of the Department of Trade and Industry, that no gold coins were struck between the reigns of King Offa in the eighth century and Edward III in the 14th, although Offa apparently struck handsome dinars from Welsh gold.

But back to Wangara, where the inhabitants went naked and the women wore lip discs. The Queen's Remembrancer said that this mysterious place was long the source of the overland gold which came to Britain, enabling issues of gold coins to increase.

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FOOD & WINE/GARDENING

Boulogne's bounty from ship to shore

Nicholas Lander in the 'fishing capital of Europe'

BOULOGNE, more usually associated with the beginning or end of a good holiday in France, has become the fishing capital of Europe. Leave the ferry, turn sharp right and you are in the heart of the fishing area, home to Boulogne's fleet of 230 fishing boats. Here, 200 companies generate employment for 8,000 and account for 50 per cent of its economic activity.

Last year 72,000 tons of fish were landed at Boulogne. Most were sold through a unique auction more like Wall Street than a food market.

Boulogne's fish auction is the only one in Europe where the fish are not on show. The fish are sold by six auctioneers, simultaneously, and only the numbers and catch of the boats are listed on the blackboards behind them. Prices are in old French francs (apparently it is easier than having to deal with centimes) although the sale is written down in new francs. As each lot is sold it is handed over on the quay to the new owner. This system sells 800 tons of fish an hour, most of it in lots as small as 50bs.

As "fishing capital" Boulogne now handles more than three times the weight of fish than is landed by its own

boats. It is ideally situated between those countries to the north with large fishing fleets but small domestic markets — Iceland, Norway and Scotland — and the main fish-eating markets around the Mediterranean — Spain, Italy and the South of France.

Visit the quay and you can see monkfish, scallops or langoustines from Scotland on their way south; sea bass, sardines and sand from Lorient on the west coast, oysters and abalone from Brittany for the domestic market; and from the south of France, bouillabaisse mix from Sete and tuna and royal bream from St Jean de Luz near Spain which come across the Channel to England.

Boulogne however, faces many of the same difficulties as other fishing ports, in particular, quotas imposed by the EC to maintain fish stocks. The changing environment is also having an effect. The 1990s could see a better future for those selling fish from cleaner waters. Already fish from Cornish and Scottish waters are fetching higher prices than those from the more polluted Irish and North Seas.

There is also concern about the warming of the sea. Last year alone the temperature of the water in the Channel rose 4

°C, forcing many fish, particularly sea bass, to swim further north and out of reach of the coastal fishing boats.

The response has been to invest considerably in maintaining the freshness of the fish in the refrigerated lorries which deliver it as far as Madrid and Lyon and to add value by selling filleted rather than whole fish.

Many of the boats now go to sea with small fish storage boxes and plenty of ice — each day a factory on Boulogne's quay produces 400 tons of a special quality ice which will protect but not bruise the catch.

Around the quay there are small factories producing lightly smoked halibut, haddock and herring, and filleting salmon, sole and turbot.

In the heart of the fish market is Le Chatillon, open from 8am and acting as the market's canteen. Here one can still see the older workman having what he considers his birthright for breakfast: a packet of Gauloises, coffee and a cognac. Lunch is a Boulogne speciality: herring fillets served with diced boiled potato, onions and olive oil for FF10 and an extremely fresh fillet of cod with a mustard sauce for FF15.



A boat from the ocean: Boulogne has some excellent restaurants

In the city itself, the cooking is never poor but never exceptional either. La Legende (tel 31.61.15) just by the theatre tries hard — too hard with the decor — and is certainly not as good value as the more basic Cafe Alfred (tel 31.58.16) in the Place Dalton which offers a good fish soup, skate with black butter and dessert for FF10.

Two favourites, however, are La Matelote (tel 30.17.97) on the road to the beach and Chez Zizou (tel 31.42.24) just behind the Post Office. In humble surroundings and with walls covered in fishing memorabilia, Zizou serves the most wonderful poached turbot with hollandaise sauce for FF10. There is no abstraction from the magnificent fish or the excellent sauce, other than a solitary potato and a single carrot, but

the portion is twice as large as you would be served in Paris or London.

Twenty minutes to the south brings you to the fishing village of Staples. While most boats now land their catch in Boulogne, the efficient co-operative at Staples supplies three fish stalls bulging with fish. It also provides the fish at Les Pecheurs d'Etaples (tel 94.06.80), an airy first floor restaurant on the quayside where you can eat and watch small fishing boats.

Five minutes out of Staples to the west is the still very English resort of Le Touquet. While Le Cafe des Arts (tel 05.21.55) and Flavio (tel 05.21.22) offer the more serious food, Cafe Les Sports (tel 05.21.22) is a good brasserie. In spite of the garish decor and a wine list packed with spelling

mistakes the food is very good, particularly the sweetbreads, and the service rapid. About FF150 for three courses.

The most pleasant hotel in Boulogne is Le Metropole (tel 31.54.80), approx FF250 per night. It is right in the centre and, although noisy, has the great advantage of being only two doors away from the famous cheese shop Philippe Olivier in the rue Thiers. By the best news for anyone interested in this area and the fish and good food it has to offer is the reopening in early March of the Chateau de Montreuil (tel 61.51.04) in Montreuil-sur-Mer, about 30 minutes from Boulogne. Run by Christian Gernain and his English wife Lindsey a double room will cost approx FF500, an extremely good dinner around FF400 per head.

Swiss — or the Japanese. The domestic demand has grown sharply too.

What we will pay in the UK will depend to some extent on the margins expected by the Bordeaux merchants. For the 1982 and the 1983 they were large, for the 1986 and 1988 more moderate, for there was then more of a buyer's market. Whatever the overall percentage increases at source they should not be fully reflected in opening offer prices, since freight and duty should not have increased proportionally by the time the wines are mostly shipped in 1982. Nevertheless it would be unrealistic not to expect some increase in price, although there is a tendency in the UK to feel that while we have inflation, they are greedy. Yet their costs rise too, and with a degree of inflation as well, it is notably less than the UK.

However, it should not be forgotten throughout the Girondes that there have been three good, widely bought and big-to-record vintages in the last four. Also the Bordeaux negociants will be aware that the exchange rates of two of their most important export markets abroad, the US and UK, are less favourably placed than they were to buy the 1988 last summer, and much less so than in 1983, when the excellent, highly-publicised 1983 caused the last investment/speculation boom and rapidly rising prices especially in the US. No-one doubts the amount of publicity already enveloping the 1989, but will the Americans indulge in large-scale investment with the franc probably at around 5.7 instead of 7.5 to 8 to the dollar?

Nevertheless the *en primeur* market for all fine French wines with an international reputation has increased considerably in the last few years, and there are no currency problems for the Germans, the likely to rise at all levels, but how much in percentage terms? The firsts probably more than most, because of a perception that particularly from the US, they first offered their 1988 at lower prices than their quality justified; and this was confirmed by their rapid increase. By the autumn Margaux and Mouton were selling for FF300 a bottle on the Bordeaux market, while the top seconds such as Pichon-Lalande and Ducru-Beaucaillou that had opened at FF110 were priced at FF140. (A rough-and-ready guide to the UK retail prices of wines quoted in francs-per-bottle is to double the francs price and divide by the current sterling-franc exchange rate).

In opening offers in the UK they were listed as between about 240s and 250s a dozen, plus duty and VAT. The 1988 first-growths varied between FF225 (Cheval-Blanc) and FF200 (Latte, Margaux and Mouton-Rothschild).

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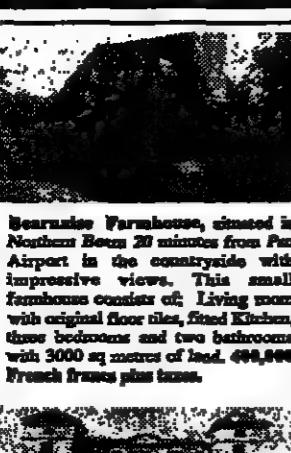
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PROPERTY**A new lease of life for home owners**

Becoming a temporary landlord makes sense given recent changes in legislation, says John Brennan

AGROWING number of home-owners who have to move but cannot sell, or will not accept the price they could achieve in today's market, are becoming temporary landlords. Like the unsold development property put to rent for a time, these lettings are a short-term result of the present log-jam in sales.

But such accidental landlords are being joined by a more stable group of part-year renters. They come from the estimated 500,000 owners of under-utilised holiday properties as well as retired people who thought that the family hole in the country would justify a slot in those marketing lists only to be told that they have to carry out major improvements, redecoration, refurbishing and refitting before being considered.

Against that background it is small wonder that so many homes stand temporarily – even regularly – unused. But a broad range of properties can be let successfully. There are takers for the most modest houses and flats in the least fashionable areas of town, as well as for quite remote country properties.

Thanks to the Government's new rulings on paying open market rents through Social Security payments, virtually anything with doors, windows and a roof is in demand. Local authorities' available rental stock has been cut by the 500,000 council house sales in the last decade, the fall in public sector house building, and the shortage of cash for repair and maintenance work. Rental demand has been further boosted by would-be first-time buyers who have not been able to afford a mortgage, but even when the first-time market is active there is a regular rental crop of students and other home-leavers, job movers, divorced people and an endless variety of longer-stay visitors with neither the need nor the inclination to buy.

Because of the cash limits on properties developed or refurbished for rent in residential funds qualifying under the Business Expansion Scheme, these funds' letting experience provides further evidence of unsatisfied demand for comparatively modest homes for rent. The BES funds have found a steady turnover of ten-

properties in mind few owners can easily picture their home as a rental proposition. Few will see suitable role models in multi-occupied bedsit properties or older houses let for decades at historic rents. Equally few would be comfortably aligning their lived-in house or flat with the immaculate, interior-decorated chic of the smarter company rentals.

As for holiday properties, the standards insisted upon by the higher-value country cottage letting networks can be even more daunting. There are many red-faced owners who thought that the family hole in the country would justify a slot in those marketing lists only to be told that they have to carry out major improvements, redecoration, refurbishing and refitting before being considered.

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ants willing to pay open market rents. These tend to come from outside those groups that would normally expect to be eligible for local authority or housing association accommodation, or who might expect their employers to arrange a company letting. They represent a middle market of "hidden households" willing and able to rent for a period, but who have not been visible to the past because the choice did not at that time exist.

The next less positive discovery for prospective landlords is that most mortgage lenders expect you to pay a percentage point or more over your existing loan costs if you decide to rent. That extra expense, plus additional home insurance cover, can take the edge off renting as a way of offsetting financing costs for anyone with a large loan. Taking in lodgers triggers similar



Three-bed penthouse flat in Sloane Street, London SW1, for rent at £200 per week through Plaza Estates (01-581-7645)

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WHO RENTS WHAT, WHERE, AND FOR HOW MUCH?

E4 to W1, London's rental gradient: A three bedroom semi-detached house in Chingford in the Epping Forest: £130 a week. Similar-sized three bedroom flat in Mayfair: £1,000 to £1,400 a week.

Wimbledon, according to agents PKL, rates as prime rental territory. The French like the direct line to the Lycee in South Kensington, Americans like the village atmosphere, Japanese like the scale of houses and the gardens but go for unfurnished properties "decorized in monochrome colour." Rent: £500 to £700 a week for three to five bedroom houses, £140 to £275 a week for good one and two bedroom flats.

Owners still prefer company lets to individual "shorthold" agreements, according to agents PKL, rates as prime rental territory. The French like the direct line to the Lycee in South Kensington, Americans like the village atmosphere, Japanese like the scale of houses and the gardens but go for unfurnished properties "decorized in monochrome colour." Rent: £500 to £700 a week for three to five bedroom houses, £140 to £275 a week for good one and two bedroom flats.

The Woolwich Equitable points the way for building society-owned rentals with a four-year plan to acquire 1,000 homes. A two-bedroom flat in Dartford valued at £71,500 and costing £205 a month in loan repayments on a 100 per cent mortgage can be rented for £390 a month plus £17 service charge to give a yield of 6.5 per cent. Woolwich plans to link rents to the earnings index.

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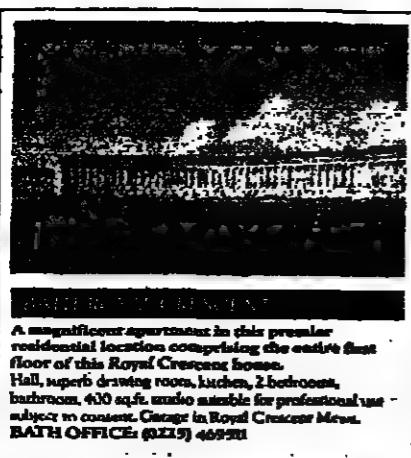
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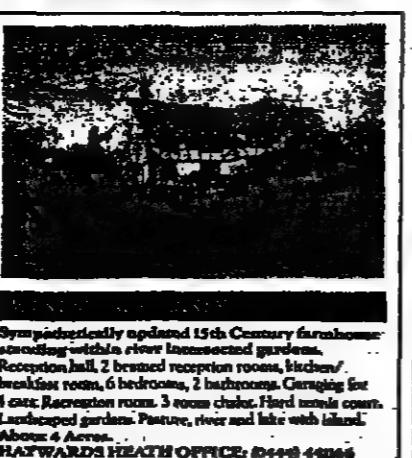
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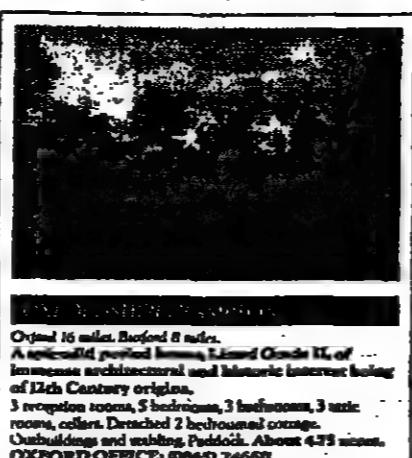
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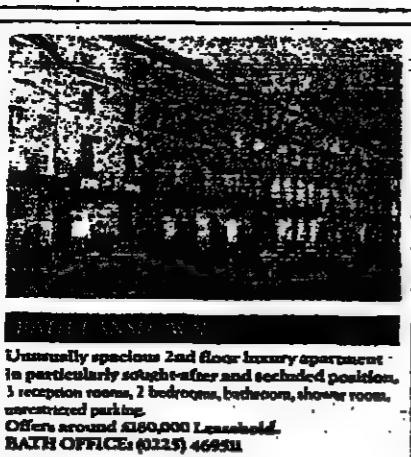
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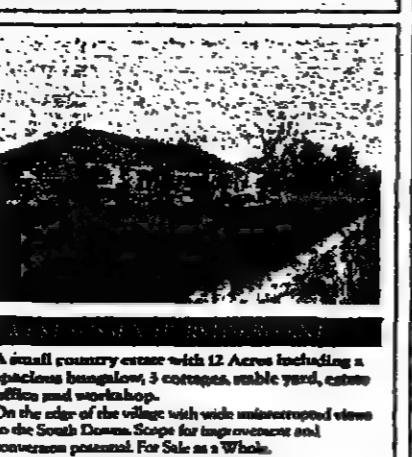
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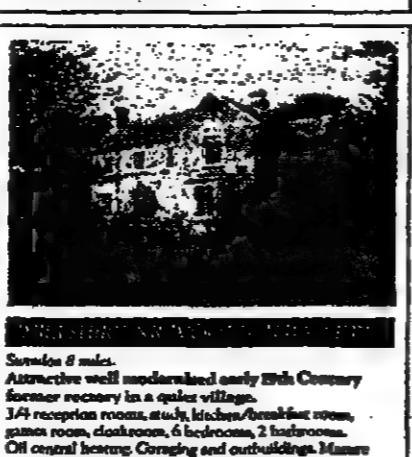
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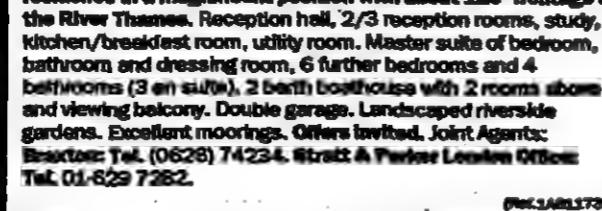
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NORTHAMPTONSHIRE, ROTHWELL
LETTING 4 MILES/A1-M1 2 MILES



AN IMPRESSIVE EDWARDIAN PERIOD HOUSE OFFERING SIZABLE
ACCOMMODATION PRESENTED TO A VERY HIGH STANDARD
AFFORDING PANORAMIC VIEWS.
Rothwell Hill, 3 reception rooms, kitchen/breakfast room, cloakroom, 4 bedrooms,
2 bathrooms (1 en suite), double garage. South East facing gardens of 5 acres.
Offers invited in the region of £265,000.

NORTHAMPTONSHIRE, WEST HADDON
M1 (junction 18) 3 MILES, NORTHAMPTON 10 MILES



A SUBSTANTIAL FARMYARD CONVERSION OF 17TH CENTURY ORIGIN,
PAINTSTAKINGLY RENOVATED RETAINING ALL THE ORIGINAL
CHARACTER WITH THE ADDITION OF PRIVACY AND ACCES FOR
AN AMERICAN COUPLE.

Repton Hill, 3 reception rooms, kitchen/breakfast room, cloakroom, 4 bedrooms,
6 bathrooms, 2 bedrooms, office complete with office space on ground and first floors,
garaging, stable, conservatory and gardens.

Offers invited in the region of £265,000.

NORTHAMPTONSHIRE, GREAT DODDINGTON
NORTHAMPTON 8 MILES, LONDON 50 MILES

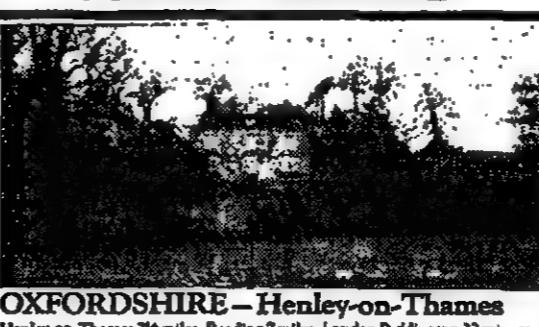


A SELECT DEVELOPMENT OF 10 FURNISHED OFFERINGS LUXURY
ACCOMMODATION WITHIN THIS HIGHLY SOUGHT AFTER AND
PICTURESQUE VILLAGE OVERLOOKING THE NESE VILLAGE.

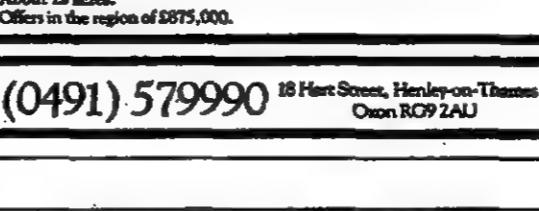
Each property offers a difference in specification including at least two bedrooms,
4 or 5 bedrooms, 2 to 3 reception rooms, and 2500 sq ft to 2800 sq ft approx.
Price from £217,000.

Reply to William H. Brown, Northampton County Homes Office, 18-19 Market Square,
Northampton. Telephone (0604) 21171.

SAVILLS



OXFORDSHIRE - Henley-on-Thames
Henley-on-Thames 2½ miles, Reading 7 miles, London Paddington 22 miles
Charming Georgian rectory set in a secluded and peaceful valley.
Reception hall, 2/3 reception rooms, study,
kitchen/breakfast room, utility room. Master suite of bedroom,
bathroom and dressing room, 6 further bedrooms and 4
bedrooms (3 en suite), 2 bath, boathouse with 2 rooms above
and viewing balcony. Double garage. Landscaped riverside
gardens. Excellent moorings. Offers invited. Joint Agents:
Braxton Tel: (0628) 74244. Strutt & Parker Lewes Office:
Tel: 01-629 7282. 1100500000

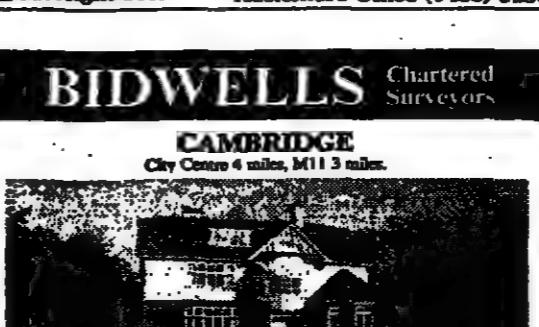


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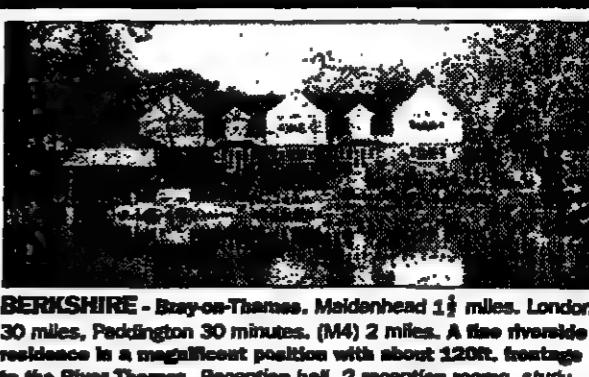
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An ideal company investment opportunity.
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kitchen/breakfast room. Master suite of bedroom and
dressing room, 6 further bedrooms and 3 bathrooms. 2 birth
boathouse with 2 rooms above and viewing balcony. Double
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productive conifers.
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Full particulars and a list of woods for sale
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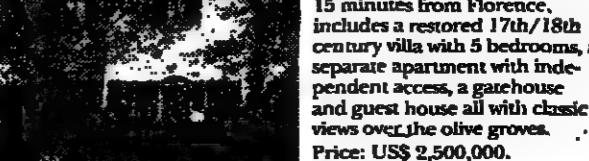
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INTERNATIONAL PROPERTY

**SOTHEBY'S
INTERNATIONAL REALTY**



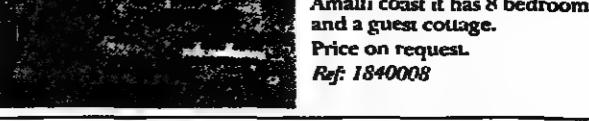
Villa Maionchi
In the hills north of Lucca this
16th century former convent,
elegantly restored, has
a swimming pool and a swimming
pool. The 90 hectare estate
also has vineyards, a
farmhouse and an old mill.
Price: £4,900,000. Ref: 1840010



Villa Cassini
This small estate in the hills
near the village of Impruneta
15 minutes from Florence,
includes a restored 17th/18th
century villa with 5 bedrooms,
a separate apartment with
independent access, a gatehouse
and guest house all with classic
views over the olive groves.
Price: US\$ 2,500,000.
Ref: 1840009



Torre di Lividonia
This charming 5 bedroomed
house, adjoining a 14th century
watch tower, overlooks the sea
near Porto Ercole. The private
grounds include delightful
gardens, a walled orangery and
swimming pool, a 4 bedroomed
guest house and cottage.
Price on request.
Ref: 1840007



Villa Nuvolari
The villa, which can be used as
two separate apartments, has
its own private dock reached
through terraces and gardens.
Beautifully positioned
overlooking Positano on the
Amalfi coast it has 8 bedrooms
and a guest cottage.
Price on request.
Ref: 1840008

SOTHEBY'S INTERNATIONAL REALTY

34-35 New Bond Street, London W1 2AA
Telephone: (01) 408 5106. Facsimile: (01) 409 5100

Local Sales Agent:
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Villa Michaels, Vorno, Lucca 55069
Telephone: (0583) 971127. Facsimile: (0583) 971179

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NOW FOR

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A fine commercial forest in attractive countryside with valuable sporting rights.

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App 2.76 acres

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Offers around £25,000

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* STAFF PLATE * GRANITE ANTRIM

* HEATED POOL * DIVING POOL *

* GOLF COURSE * STABLES * SMALL LAKE STOCKED

Residence available from

Mister Alan Ward 081 522 6266

£275,000

Modern residence in open 12 acre

FRUITERY * 4 BEDROOMS * 3 RECEPTION ROOMS

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Stop at the stuffed pelican oasis

Jack Barker visits Farafra, in Egypt's Western Desert, a mere 12-hour drive from Cairo

AMILLION years ago Farafra was under the sea. 100,000 years ago it was on the Nile. In 10,000 BC it was a desert home to Neolithic tribes, and 5,000 years ago it was inhabited by the religion of the Pharaohs.

Clearly, Farafra is used to change. But nothing so far in this tiny oasis in Egypt's Western Desert has caused change to come too fast. So far, the worst effects of Egypt's tourist boom have passed it by.

Until recently it was several days' camel ride from anywhere but now, just 12 hours drive from Cairo, it is hardly inaccessible. Because the oasis has no archaeological sights, nor attractions easily itemised in guide books, its community

has developed with integrity over the many thousands of years since the Nile shifted to its present course, leaving a chain of reliable oases. Now the water gushes out of the ground in the centre of the village; funnelled through a wide-bore standpipe, it makes a natural whirlpool bath filled with hot clear water in a public bathhouse.

For most travellers, this will be the first stop. The water thunders down into a circular well at the perfect height for a neck and back massage to beat away the stress and the dust of the long drive in. Later, the bath water is channelled off to irrigate the gardens, as the locals call their walled fields of date palm.

The canals from the central well run alongside a wide leafy track, which quickly narrows and splits into paths. These gradually get more minor and less used until the adjoining gardens become waterlogged. No serious wanderer among the gardens of Farafra is complete without becoming marooned on a tuft of grass surrounded by waterlogged wild rice - an experience that seems particularly incongruous in a place where only the eldest elders can remember the last rain to fall on miles of sand older than packet soup.

This stretch of desert hasn't

steered clear but goats and children play around the rubble. The real charm of Farafra comes from the people. The welcome from Farafrians comes from all levels. Walking around town I was invited in to eat countless dishes as part of the week-long celebrations of a marriage. In the daytime these were elaborate feasts for all generations, although the sexes were strictly segregated.

At night the parties were younger and more active. Playing local instruments such as the flute and the *tambura* - a drum - the young men of the village gathered for traditional songs, chants and dances. But these did not involve wholesale dancing; only one person danced at a time while the rest played an audience. Usually the man tied a scarf around their hips and impersonated the women's dance. When it was my turn I didn't do that, but would have if a lot happier had I been able to dance better to the very foreign music being played.

As the night progressed, the

music faded and the village

young village girls came in one by one and danced for the chanting men. Their parents clustered proudly in the doorway and peered in to see how they were getting on. Often the dancers were very young indeed - eight or nine. Girls older than 12 draped scarves over their heads for anonymity. It felt strange to be part of a crowd of 30 clapping, chanting young men while a school girl belly-danced for us with a towel over her head.

On the other hand this was nothing compared with the excitement when a thin, ascetic and clearly homosexual man, of about 35 came in. He tied a scarf around his hips and danced to rising excitement from all sides. I left before he did.

During another daytime stroll through the village I bumped into the sheik or *Omdar* of the village, leaning heavily on his cane as he made his way back from the Friday service at the village mosque. He invited me in for tea and dates, and we had a cheerful time making very little headway between his lack of English and mine of Arabic. On his wall were pictures of him as a young man, in uniform, and through his life with various heads of state his 50 years had not dimmed his mind and his eyes were clear as he examined this specimen of Western man who had appeared in his village.

But the village is made most interesting for the visitor by the influence of Baad Abu Mornay. Many people might suspect that he is a lunatic. Eldest son of one of the prominent families in the tiny Egyptian oasis of Farafra, he spends his time painting religious murals on every available inch of wall in the village, makes large-scale clay sculptures of his friends, and tries to keep up a small museum in a mud-built building that is falling down around his ears.

In the midst of all this he finds time to welcome any passing traveller who isn't scared off by his remorseless

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TRAVEL

KHICULLEN'S seawater baths at Enniscrone, County Sligo, is a small square building overlooking the sea. Inside, each red-painted cubicle contains an immense bath attached to the wall by rusty, umbilical plumbing. I watched dubiously as the attendant turned off the shuddering tap, picked up his empty bucket and left me alone to contemplate the speciality of the house - a seaweed bath.

The mop of seaweed, steam-cleaned to a vivid shade of green, flapped gently in the water, releasing clouds of brown oil. It looked like a tureen of Chinese soup, but when I slid in and lay floating in the scalding seawater, moving my toes through the rubbery leaves, I understood why the baths were still open after more than 20 years.

Afterwards, lobster red but buzzing with new-found energy, I asked the proprietor if business was good. "Ah, it's good enough, but not what it used to be. The old ladies still come." He gestured at the old ladies wading with their towels; like him they looked soft-skinned and healthy. "But there's not many tourists now. Maybe when we put a sign on the main road..."

In fact, I thought, a sign might be a good idea. Enniscrone is an almost perfect beach resort. Under purple skies, the Atlantic surf rolls out to a long crescent of fine white sand. Behind the dunes is an 18-hole golf course, which is carefully tended but little used, while fishing enthusiasts can choose between the sea and either of two famous salmon rivers within 10 miles of the town.

The facilities are all there, but there is scarcely a coachload of tourists to use them, even in August. It seems that Enniscrone, and County Sligo in general, have been bypassed by the tourist routes and slipped into undeserved obscurity.

Enniscrone's whims of art pervade Sligo - the land of heart's desire, according to the county's motto. It seems to have suffered twice, first because the troubles in the north have scared away many potential British visitors (to the dismay of the locals for whom, perhaps surprisingly, the British are by far the most popular tourists); second, because it isn't Galway, Mayo, or Donegal. These neighbouring counties are much more famous; Sligo has only Yeats, whose haunts are a day's detour on a journey to somewhere else and is otherwise thought to be undistinguishable.

Perhaps it is this that makes Sligo so pleasant. It has all the traditional charms of Ireland - a dramatic, half-tamed landscape, clear light that drives photographers and painters to ecstasy, and the warmth and wit of the Irish themselves - but without the twaa, self-conscious bleakness of places like Killarney.

There are no tourist traps here, and there is plenty of life outside the summer season. Sligo is old-fashioned (in the nostalgic sense), crammed with interesting places and, from almost any vantage point, gloriously beautiful.

The best way to see it is by car - preferably your own-as car hire costs at least £150 per week - and by bicycle, the deserted roads and gentle hills being ideal for cycling. Bicycles can easily be hired on fine days.

Accommodation is easy to find (a



A wistful air pervades the land of heart's desire

Anthony Kerr goes to County Sligo which, in spite of its fame as a haunt of the poet Yeats, seems to have slipped into obscurity

friendly pub is a good place to ask) and ranges in price from £8.50 a night for bed and a substantial breakfast up to about £20 for a double room in an old country house. For the thrifty or adventurous, there are relatively few official campsites, but little problem camping on farmland. Children are welcomed, even in pubs.

From Enniscrone the coast road passes through pretty but unassuming countryside dotted with villages, some no more than a cluster of farms and lonely surfing beaches. Here and there thatched cottages still have wisps of smoke emerging from their chimneys, but many more are roofless and stand forlornly beside modern bungalows, too expensive to repair and, frankly, too cold and damp for everyone but the purists.

Sligo town was pleasant, with its grand public buildings and traditional shopfronts, though rather choked with traffic.

dominates Sligo Bay. With its flat top and curving sides it resembles a volcano, except for the huge cairn perched on top of the mountain.

We climbed it on a sunny afternoon on our way to Sligo town. Patches of light moved across the half of the county laid out beneath our feet - Ben Bulben and the cliffs of Donegal to the north, the Ox Mountains hairy in the east and the wrinkled coastline of the bay directly below. On the brown mountain slopes was a huge "Peace" sign laid out in slabs of rock; to its left a bird of prey appeared, hung motionless, then dropped away, straight down, until it vanished against the silvery water.

Sligo town was pleasant, with its grand

It has two cathedrals and the remains of a 12th century abbey, but for me the highlight was Hargadon's, a pub seemingly unaltered since the last century. Its interior is dark brown and sombre. A turf fire glows in one corner, old bottles lean together on sagging shelves and men smoking unlit cigarettes conspire beneath a picture gallery of 1930s Guiness adverts.

The level of comic (or tragic) eloquence in these pubs is so high that it often feels as though you are participating in an O'Casey play, though that could just be the effect of the drink. Apart from Guinness, my favourite social lubricants are a hot whisky, made with lemon, sugar and cloves, and - smoothest of all - a hot brandy and port. Poteen, cold or hot, is something you may come across when invited for a drink in someone's house; it invades Sligo and its beauty spots are deserted.

No-one charges admission or sells ice-cream or tells the children not to climb on the megaliths; you can truly please yourself. It is badly signposted but worth the journey, remote but never far from friends. Ireland's tourist industry will revive and with it Sligo's fortunes; for the moment, it is a beautiful backwater, a place of calm even in this supremely transitory country.

is romantically illicit, but given its do-it-yourself origin, best treated with caution.

After a night on the town the best restorative is a walk in the hills. Sligo's wilderness is to be found in the Ox Mountains, the ridge of ancient rock that splits the county in two.

The walk began among peat bogs, barren land rashed with black trenches, and remained severe until we reached Longs Eskey at the top of the pass. From then on, however, the road meandered gently downwards past glades and waterfalls towards the eastern plain. Tempting paths led off on every side, offering gentle strolls or climbs to tax the fittest athlete, and all this with only sheep for company.

For an artistic celebration of this landscape, Yeats is the man. The poet's corner is in northern Sligo and can be "done" in a day, from Ben Bulben, the great table mountain, so famous for its profile and its flowers, to the churchyard at Drumcliff, where Yeats lies buried beneath a tombstone that reads: "Cast a cold eye on life, on death, Hormone pass by!"

There are miles of dreamy scenery, Lissadell House and the (disputed) site of the lake of Inisfree on Lough Gill. It says a lot for County Sligo that the situation of such a famous beauty spot should be uncertain.

One can trawl famous people anywhere. For me, Sligo's greatest glory is one of its (more) modest attractions - Connemara's last known of Ireland's great megalithic sites. It lies in the Bricklieve mountains, just a few miles from Castlebar. Finding it is difficult as it is at the end of a little-used farm track, but because of this the place is usually deserted.

On a series of sharp limestone ridges are 16 cairns concealing passage graves, some of which you can, and should, crawl into. Their construction is a marvel, so carefully are the stones put together that even after 4,000 years they don't leak. We spent some time, none knew how long, in Cairn R, a rare combination of court and passage grave. As we sat in the alcoves that give onto the central chamber we gradually fell silent, and even the least imaginative among us began to think of dead souls, ley lines and mysterious earth forces. Curiously, none of us felt anxious to leave.

When we did, it was to find a site every bit as spectacular as its monuments. It is surrounded by peaks and valleys, most notably by a deep cleft, on the other side of which are the remains of a prehistoric village, possibly the home of the tomb builders. There is a cave with passages leading deep into the rock and, I was told, many other wonders to be discovered on subsequent trips. Despite all this, even on the finest day you are likely to be quite alone for Sligo and its beauty spots are deserted.

Fortunately, Alpbach has a summer tourist season. Like the rest of the Tyrol, though, it must have been wondering if the last two winters of poor snow were just a hump in the world weather pattern or a dreadful portent. There must have been some very big signs of relief this past fortnight when a decent depth of snow finally fell...

Skiing

THE AIR is crystal clear and the firs and pines reach up to rocky peaks. The church bell tolls; afterwards, you can almost smell the silence.

Trouble is, it is not supposed to be like this in a ski resort at the height of the season. Alpbach, in the Kitzbühel Alps - above the valley between the Wildschönau and the Zillertal - is supposed to bustle with life, colour and snow at this time of year. It is supposed to attract the great and the good.

The locals in this classic and charming village, which consistently attracts a mondé clientele, were apologetic and almost embarrassed by the lack of snow earlier this month. They kept insisting that it would snow even when there hadn't been a cloud in the sky for five days. "Snow forecast for the area," became a sort of catchphrase for our skiers party. "Find snow over the borders but we'll be hussed out of the village and take the gondolas up to the 2,128 metre (6,961 ft) Wiedersberger Horn. There was no snow at all at the village's nursery slopes."

But Alpbach is luckier than many European winter ski resorts - it has its faithful adherents who return each year and it does not take long for beginners and intermediate skiers to find snow of some description. Handily placed (one hour 15 minutes from Innsbruck and two from Salzburg), the village provides just about enough interest and entertainment to sustain a snowless winter holiday.

There are discos and dance nights in the village hotels, Tyrolean musical evenings, skittles matches and sleigh-ride parties to nearby Rossmoos for folk nights (organised by the tour operators). The local tourist office will provide details of hikes - not just for the hairy-leg and crampon brigade but gentle rambles for those of us who are unfit, fat and nearly 40.

It may well be to the long-term advantage of Alpbach that it has chosen not to go for modern high-life hotel development and shopping schemes. Strict rules mean that buildings must be wood-faced; consequently, the village retains a solid old-world atmosphere.

The whole place is still a class act - uniformly clean and hospitable hotels and guesthouses - but one hotel in particular, the Rögerhof, is just that bit special. Built in 1770, like the rest of Alpbach's buildings, it is in traditional Tyrolean style. Alpbach has Anton Moser, Röger's innkeeper, mayor and member of the Tyrolean parliament to thank for that. Until his death in 1978 he tried to ensure that the village kept its character in spite of a growing tourist trade.

Fortunately, Alpbach has a summer tourist season. Like the rest of the Tyrol, though, it must have been wondering if the last two winters of poor snow were just a hump in the world weather pattern or a dreadful portent. There must have been some very big signs of relief this past fortnight when a decent depth of snow finally fell...

Jill James

CHICAGO WOULD LIKE TO REMIND EVERYBODY THAT THE FIRST FOUR LETTERS OF ITS NAME ARE CHIC.



The place that Carl Sandburg once described as "hog butcher for the world" and "...the city of big shoulders" has indeed emerged as one of the

world's most fashionable locales.

Names like Giorgio Armani, Versace, MCM, Bottega Veneta and Ultimo are commonplace among the many designer

boutiques populating Oak Street.

And the grand department stores of that great street, State Street. Then there are names such as

Bloomingdales, Tiffany's, I Magnin, Neiman-Marcus. Just a few of the renowned merchants that dot the landscape of our famous and fashionable Michigan Avenue.

Adding further luster to Chicago's tres chic reputation are such designers as Mark Heister, Becky Bisouli. And, of course, Price-Walton.

Lastly, there's the magnificent Apparel Mart, which attracts over 3 million buyer visits a year.

For tour information and more details regarding this fashion mecca, call American Express Europe Limited in London, at (01) 499-4436.

Chicago. These days, we're not only the city of big shoulders.

We're also the city of padded shoulders.

MOTORING

When only the very best will do

Stuart Marshall surveys the collectable car market and finds buyers are becoming much more selective

AFTER roaring away last year, there are clear signs that the classic car market has paused for breath. So says Robert Brooks, managing director of Brooks, the London specialist classic car auctioneer.

But he believes the lull is temporary and that the market will regain strength following what is, in effect, a re-assessment of what is and isn't desirable.

Buyers are becoming more selective although top marques such as Ferrari, Maserati, Porsche and Aston Martin still fetch big prices. But their road-going production models — often made in thousands rather than hundreds or tens — are now recognised as too common to have justified recent price peaks.

"People are now realising that prices for many of these mid-range models moved ahead too far, too fast, over the past two years," says Brooks.

Aston Martin DB4 production cars clearly became over-heated last year as the trade, encouraged by many new investors, bought anything available.

Prices reached £60,000 to £120,000 for models that had been made in runs of 2,000-3,000. Buyers believed they were on to a good thing — another Ferrari-type bull market — but have burned their fingers.

Today, it has become increasingly difficult to find buyers for these same vehicles at £40,000 to £50,000. At all the major UK auctions sales since December, car after car in these model ranges has failed to sell due to over-ambitious reserves.

Brooks says confidence remains in truly top cars, meaning the very best from all levels he sees them as Lotus-Cortina, a Jaguar E-Type, Ferrari 250GT or Aston Martin Zagato.

The cream from these will always float to the top and fetch top prices," he says. "Take the world record £24,100 recently paid at our Donington sale for an exceptional super sports model — guess what? A humble Austin Seven."

Michigan interest seems to have been drawn to the short-term investment potential of collectable cars. But it is a highly volatile and specialised market.

To help those interested, advice is available in various guises. There are even unit trust schemes for investors to buy, in effect, a share in a top-notch classic car.

Some acknowledged experts

in the field are, however, making cautionary noises about how top-notch some of the vehicles really are. They see an unhealthy element of hype in some of the schemes, claiming undue fame for cars which represent their security.

Brooks says: "As with any investment, it pays to look around. The starting point should be to obtain expert and objective advice from, say, a top auction house like Sotheby's, Christie's or, of course, Brooks."

So what actually makes a classic?

Cars of Kensington's Guide (see story this page) lists 10 points, ranging from innovative engineering and appealing body lines to competition history and charisma. Brooks speaks of "four finite criteria" — individual history, originality, provenance and rarity. "If a car proves positive in all these tests, you are usually looking at a classic of truly recognisable and secure market value."

Racing history is the best you can find; usable sports-racing or Grand Touring cars offer security. The 1983 Le Mans-winning Porsche 956 was sold by Brooks at Motorfair last October for just under £1m, and a D-Type Jaguar fetched a record £1.2m.

Originality is discussed less but remains important. An extreme example was the Mercedes-Benz 500K Special Roadster found in a leaking garage in Walsall, West Midlands, where it had lain for 39 years.

Its body had almost rusted away but, with a new set of plugs, the engine started at once. It was knocked down for £1.6m against an estimated £800,000-£100,000.

Provenance involves proven interim history, the link between what we believe of the car in its heyday, and what we see or know of it as it survives today. Rarity is another effective factor, so long as other rates of quality also apply.

A sole survivor of a marque will not be valuable automatically; nor would a one-off special. But rarity and quality together could add tremendous value.

The prime example here has to be the Bugatti Royale, one of only six or seven built and virtually unsaleable when the car was launched in the great depression of the 1930s. Now, it is the world's most valuable car, auctioned at the Albert Hall in London for an incredible £2.5m.

S. M.



Bob Moore
Prices of run-of-the-mill Aston Martin DB4s may have become over-heated as the trade, encouraged by new investors, bought anything that was available, but this very rare DB4/GT Zagato fetched £1.5m in Brooks' sale at the Donington Collection earlier this month.

COLLECTABLE cars are investment vehicles to the well-heeled who see them as nice little earners. But for every one that sits, protected from deterioration or damage, in an air-conditioned store, another will be driven as its maker intended — even if its outings are confined to days when no rain is forecast.

Few owners would contemplate using their collectable car as hard as 22-year-old Jay Albus, though. He and his girlfriend, Lynda Burke, set off from the National Motor Museum at Beaulieu, Hampshire, last month in a 1967 Morris Minor and headed east on a leisurely three-year trip. If all goes well, they will reappear at Beaulieu in January 1993, having driven right round the world. Their Minor will then go on display in the museum.

Albus reckons it will be the longest journey attempted in a Morris Minor or, come to that, any two-wheel driven car of its age. It is a purely private trip with no service back-up, so it is just as well that Albus is a mechanic specialising in Minors.

Meanwhile, there will be a few classic and collectable cars among 100 vehicles heading east from Marble Arch, central London, on April 7 to celebrate Prince Scipione Borghese's epic drive from Peking to Paris in 1907.

According to the organiser, travel firm Voyages Jules Verne, it is not a race: to finish

will be honour enough. The car, which are due to leave Paris on April 8, should reach Peking on May 30. Their journey promises to be adventurous, not dangerous, and reasonably comfortable. The old cars will be allowed to start daily stages earlier than the modern ones and are scheduled to arrive at the overnight stops later.

Entry fee for car and driver is £10,000, with another £5,000 for each co-driver, navigator, riding mechanic or spare body. If you fancy your chances, there is still time to enter. Write to Voyages Jules Verne at 10 Glenthorn Street, London NW1, or phone 01-732-5065.

Europe's most challenging event for classic cars is the Pirelli Marathon, which is being held again this year. It starts from London on June 17 and ends 2,000 miles (3,200 km) later at Cortina, Italy, on June 22. More than 60 different models from 50 manufacturers, all of them at least 25 years old, will take part and the event has become so popular that more than 2,000 applications were received for the 120 places.

Sandro Verrone, managing director of Pirelli Ltd which sponsors the event, is an old car enthusiast himself with a stable that includes an early post-war MG YB. He hopes to take part.

THERE'S a great deal of fashion in car collecting. One make of car changes hands for big money. Another does not have anything like the same market value even though the two might appear to be more remarkable for their similarities than their differences. Ferraris and post-war Maseratis are making side changes direction.

If it could not afford to develop instead a new engine and opted instead to buy-in a massive 5.1-litre

Chrysler V8 with automatic transmission.

The pre-1960 Bristol — rapi-

ers to the later cars' broad-

swords — appear rarely at auc-

tions but are sometimes for

sale at the Kensington High

Street, London, premises of

Bristol Showrooms. Prices are

quite moderate for cars of such

elegance.

There are, in fact, two dis-

tinguish kinds of Bristol. From

1947 to 1952, their ancestry

could be traced to pre-war

BMW with two-litre, six-cylinder

engines and highly aerody-

namic bodies (as you would

expect of a car made by an

aircraft company). You could

buy a, well, British Saab because the Swedish aircraft-maker also diversified into car manufacture.

Another marque with merit

not appreciated widely is Bris-

tol, still produced in very small

numbers for buyers who like a

good European-type chassis

and estate, it says: "A car to

watch for ... amazingly

civilised classics that the less

well-known end of the used car

market."

Ring-hound and

pocket-hand, it tells potential

buyers everything they need

to know about all the

collectable argument. It

estimates prices and also

points to probable future

trends in buying and selling.

Any investment analyst (or

even a clairvoyant) would

have been proud of one

example of forecasting in the

1988-90 issue.

The estimated sale figure

was about £20,000, which

shows what a "calf" label

does to a car's value.

Jeffrey Pattinson, chairman

and chief executive of Coys

of Kensington, says in the

Guide (50) from Coys, £4

and estate, it says: "A car to

watch for ... amazingly

civilised classics that the less

well-known end of the used car

market."

Last week, a 20-year-old

P1900 was knocked down for

£45,000 at Coys' first auction

this year. It had been owned

by actor Roger Moore, and was

bid as his personal chauffeur.

In The Sunday TV series,

The estimated sale figure

was about £20,000, which

shows what a "calf" label

does to a car's value.

Jeffrey Pattinson, chairman

and chief executive of Coys

of Kensington, says in the

Guide (50) from Coys, £4

and estate, it says: "A car to

watch for ... amazingly

civilised classics that the less

well-known end of the used car

market."

There are, in fact, two dis-

tinguish kinds of Bristol. From

1947 to 1952, their ancestry

could be traced to pre-war

BMW with two-litre, six-cylinder

engines and highly aerody-

namic bodies (as you would

expect of a car made by an

aircraft company). You could

buy a, well, British Saab because the Swedish aircraft-maker also diversified into car manufacture.

Another marque with merit

not appreciated widely is Bris-

tol, still produced in very small

numbers for buyers who like a

good European-type chassis

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The fatal charm of Lebanon

Edward Mortimer on a vivid account of strife

ROBERT FISK is one of the outstanding reporters of this generation. As a war correspondent he is unrivaled, at any rate in Britain. He made his name in the early 1970s as *The Times* correspondent in Northern Ireland, where he frequently got up the nose of the British Army; then transferred to the Foreign Service and after a year in Portugal and Spain was appointed Middle East correspondent in the summer of 1976.

The Lebanese civil war – then only a year old – was at its height and the Syrian army was just about to intervene. The previous correspondent had had to be withdrawn in a hurry when his wife threatened to leave him if he stayed any longer in Beirut. It no longer seemed a sensible place to base a correspondent, and I – as London-based Middle East specialist – advised that Fisk take up residence in Cairo. But Fisk soon discovered that Lebanon was where he wanted to be. Not only was most of the "action" there; the absence of an effective state allowed private enterprise to flourish. In Cairo he wasted hours queuing for bits of paper in government offices and state-owned banks. In Beirut, even at the height of the fighting, he could cash a cheque on New York in five minutes.

Even though he had hardly known the country in its halcyon days before 1973, Fisk soon fell for Lebanon's fatal charm, which is the book he liked to "being bitten by a beautiful dragonfly whose wings were of such splendour that the victim did not even feel the nip in the flesh." Though he has covered many other stories, from Afghanistan to Ethiopia, he keeps on coming back to Lebanon, chronicling all its successive and ever-

PITY THE NATION: LEBANON AT WAR
by Robert Fisk
André Deutsch £17.95, 662 pages

worsening ordeals.

His special stock-in-trade is the vivid, even lurid, description of the physical effects of war. He claims how he has put it all together in one enormous book, reflecting as well as possible the scale and destructiveness and suffering it caused and because of the disintegration of Lebanese society which followed it.

Up to then the war had been mainly about the Palestinians, with (broadly) Christians against them and Moslems for them. But Israel's introduction of Phalangist militia men into the Chouf set off a bitter sectarian war between Druse and Maronites, while her attempt to control the South through a network of ad hoc militias, informants and protection rackets produced a bitterly radicalized Shiite population and eventually a battle between pro-Iranian and Syrian backed Shiite factions.

Meanwhile four NATO powers were dragged in, in Israel's wake, and two of them – France and the US – paid a heavy price at the hands of Shiite suicide bombers. Eventually all Westerners became the target of Shiite anger, including Fisk's close friend Perry Anderson, the AP bureau chief, who next month seems likely to complete his fifth year as a hostage. His story, and the personal anguish it caused to the author, gives a strong sense of purpose to the closing chapters of the book.

All in all, it is an impressive personal narrative of a collective tragedy – offering, albeit, little hope of a solution in the near future.

Fiction

Handicap no disability

TRYING TO GROW
by Firdaus Kanga
Bloomsbury £13.99, 242 pages

THE OTHER OCCUPANT
by Peter Benson
Macmillan £12.95, 168 pages

HOWLING AT THE MOON
by Peter Sayer
Countryside £10.95, 174 pages

Successful. Outside the cluttered flat, furnished with Victorians, are endless possibilities, harder to deal with. As there must be for this extraordinarily fluent young novelist, who is funny about heartbreak, tenderly erotic and so full of life his wheelchair. His parents feed him books and education. And his mind flowers.

Partly a very funny, very moving account of Parves family life, with parents, sister, neighbours, relatives, and the narrator, Brit, and partly Brit's story as he confronts the world outside, *Trying to Grow* is unfailingly good company. *Osteogenesis imperfecta* means lack of growth and bones which keep breaking, so the nickname (in spite of Brit's father's objection that "you don't call a Mongol kid Mong") stands for brittle. In the eccentric, volatile, loving household he grows up independent, sexually lively, and pretty nifty with his wheelchair. His parents feed him books and education. And his mind flowers.

But with the onset of adolescence his extreme "otherness," purely physical though it is, comes home to him. What does the flowering mind do in a body like Brit's? The radiantly beautiful Cyrus, Brit's first male friend, makes him think briefly that he must be homosexual. Until Cyrus's also beautiful girlfriend Amy persuades him he isn't. So how to balance mind and body, spirit and physique?

As with many life stories (fact or fiction) the child's eye view is the more attractive and accessible. What domestic charm, what warmth, what adult understanding of a handicapped child, and ditto the child's of his parents' dilemmas, all bathed in Bombay light and tickled by the dotty behaviour of the extended family. The adult story, more complicated and less concentrated, is, not surprisingly, less suc-

cessful. Outside the cluttered flat, furnished with Victorians, are endless possibilities, harder to deal with. As there must be for this extraordinarily fluent young novelist, who is funny about heartbreak, tenderly erotic and so full of life his wheelchair. His parents feed him books and education. And his mind flowers.

Michael, a working class graphic artist, has married Susan, daughter of a rich businessman. They drift apart, becoming obsessed with the idea that she has a lover, spying on her at work and at home. A violent ending puts him away and Susan back in her mother's comfortable, dreary home, visiting regularly, talking to silence.

Paul Sayer won the Whitbread Prize with his first novel, *The Comforts of Madness*. Once a psychiatric nurse, he obviously knows the stages of delusion and obsession, and describes them accurately. But this second novel lacks power and creativity. In the sense that matters it is artistically overdone, downbeat, gloomy, unsatisfying.

Isabel Quigley

Bishop with a difference

THE MOST famous Montefiore was called Moses and lived for a hundred years from 1784 to 1884. He was a Sephardi Jew and did more to help Jews and did more to assist within the English business and social establishment than any one else. As John Peart-Binns puts it, he was "fortunate to become associated with the young Princess Victoria." Moses was exceptionally hard-working and magnificently philanthropic. His great-great-great nephew, Bishop Hugh Montefiore, took his portrait with him to whatever study he inhabited.

Reading this long and detailed biography one has an only occasional sense of the bishop's Jewish roots. Whether this is a proper reflection of the author it is hard to judge. Montefiore's conversion to Christianity was early – he was only sixteen – and spectacular. He was sitting in his study at Rugby feeling rather low when he saw a distant figure in white whom he instinctively knew to be Jesus. The figure said, "Follow me." As

BISHOP HUGH MONTEFIORE
by John S. Peart-Binns
Quarto Books £18.50, 364 pages

Montefiore commented later, "In the morning I was a Jew and by the evening I had become a Christian as well."

He survived the shock this decision caused among his family and went on to become a priest. Meanwhile, he had gained a First in Theology, fought in India and married the daughter of a Presbyterian minister. He seemed to be particularly well suited to help the church face modern life. Which he did for some years.

However, in 1967 he had the bad luck to be picked up and thoroughly shaken around by the press after a speech he made on the subject of Christ's humanity. In the cool light of twenty-odd years on reading the actual excerpt, it is clear that he was not suggesting that Christ was positively homosexual but that he could have been the kind of man for

whom women held no attraction. But even so, it was seen as an unnecessary exercise of the imagination and did him much harm. Nevertheless, it was also an expression of his constant search to reach a closer understanding of Jesus and thus the faith he had espoused. It also illustrates the impulsiveness which seems to have been both admired, but also feared, by his church.

On matters of dogma, he was generally in favour of change, coming down early on the side of female ordination and church remarriage after divorce but, at heart, he remained a traditionalist. His ministries at Gains and Gonville College and Great St Mary's, Cambridge, Kingston and Birmingham all seem to have been notable for his enormous enthusiasm in many areas. Yet for every word of applause, there is a note of caution, as if this man's personality was almost too much for the church whose cause he had espoused.

Rachel Billington

BOOKS



One of the drawings made at the deathbed of the author of *Goodbye to Berlin* and published in *Last Drawings of Christopher Isherwood* by his lifelong companion Don Bachardy (Faber & Faber £25.00). Some may say that to make public these mortuary pictures of the novelist in the days before his death are an intolerable exposure of the private self. But for Isherwood the private self was also the public self. The book is in

that sense consistent with the rest of his work. There are pages included of a journal Bachardy wrote at the time, and comments by John Russell and Stephen Spender.

Isherwood died in January 1986. A selection of his writings has just been published under the title *Where Joy Resides*, edited by Don Bachardy and James P White with an introduction by Gore Vidal (Methuen £15.99, 415 pages).

Aftermath of war

WHO WAS it said the following of whom: "She is merely acclimatising herself, in accordance with natural law, like an animal which changes its coat for the winter. Thousands of people like — are acclimatising themselves. After all, whatever government is in power, they are doomed to live in this town?" Well, did you get it? Yes, Isherwood, at the end of *Goodbye To Berlin* in 1939.

Mr Isherwood did eventually go back to Berlin after the war. He discovered that Fr Shroeder was still alive and he wrote a short newspaper article describing his return. It was his fellow expatriate in America, W H Auden who went to Germany before the war was officially over to make a tour of a number of German cities which had been prime targets for bombing by the Allies. This tour was at the behest of the Pentagon for USSBS (US Strategic Bombing Survey). Auden was given a uniform in the US Army and the courtesy rank of major, with the brief of interviewing a cross-section of the civilian population to discover their reactions to the bombing.

Audens knowledge of Germany before the war was thought to make him especially well qualified for this task. Before he left in April 1945, Auden explained to the Pentagon that there was an English writer living in New York who was even better qualified to be a bombing analyst. He had a German-speaking wife and had been earning his living by translating books and plays from the German. This was James Stern, whose moving account of this period, *The Hidden Damage*, appears in Britain for the first time.

Stern, now in his eighties, is the least famous of the writers in the Auden circle, but one of the most highly regarded within that circle. This reissue carries an introduction by Stephen Spender, who calls it "a sentimental journey" of a grim kind. Stern, the son of an English cavalry officer and an

Irish mother, escaped from a job in the family bank before the war, to live in Europe as a writer. Apart from this book, his output of original work has consisted only of two or three volumes of short stories of which *The Man Who Was Loved* is the best known. That story, like several others, is set in South Africa. Stern also worked as a farmer in the days of the British South African Police. He depicts them with the same clarity that Orwell wrote about their counterparts in Burma.

Like Orwell, Stern spent some time during the pre-war Depression among coal-miners and the unemployed in Derbyshire and South Wales. His descriptions of their efforts at subsistence publishing in *People's New Writing*, yield nothing in vividness when compared with the more famous accounts by Orwell. His work suffers from the objectivity of the I-Am-a-Camera school of writing.

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Anthony Curtis

Get the dope on the Mob

Alan Friedman looks at the Mafia

THE STRUGGLE against the Hydra-headed evil of the Sicilian Mafia is hardly a new subject: indeed for many law enforcers, journalists and academics on both sides of the Atlantic it would seem that there is little new to be said about the Palermo-based organisation and its collaborators in the American Cosa Nostra.

MAFIA: THE LONG REACH OF THE INTERNATIONAL SICILIAN MAFIA
by Claire Sterling
Hamish Hamilton £15.99, 384 pages

the US heroin sells for four times the price in Italy. Cocaine sells for four times as much in Italy as in the US. One hardly needs to be an armchair expert to understand why the Sicilian Mafia, with its excellent distribution channels in Western Europe, should be keen to take cocaine in payment for the heroin it delivers to the US. For the Mafia, "Europe 1992" is nothing less than a golden opportunity.

Sterling is a controversial writer, an American journalist who has lived in Italy for many years. Her latest effort is the fruit of five years of research and is a rich material for anyone who wishes to understand the mechanisms of the Mafia, the division of labour between the Men of Honour of Sicily and their American counterparts.

The book also paints a depressingly accurate portrait of the frustrated heroes of the US and Italian judiciary and police, who never quite get the resources they require. The book's main failing is that it appears at times to be a disjointed narrative, as though the wealth of material somehow overwhelmed the author. Even as some of its heroes have been sent to prison (frequently to run international drug trafficking operations from the comfort of their cells) the Palermo-directed Mafia has been expanding its activities from Istanbul to Brooklyn to London, Montreal, Caracas, Rio, Bangkok, Sofia and beyond.

As recently as 1988 the Sicilians, who are described by Sterling as being far more powerful than their American surrogates, began laying the groundwork for an even bigger trade that seems destined to take full advantage of both the coming liberalisation of Europe's internal financial markets and the growing prosperity of young Europeans. In

Blurred portrait

TO PAINT the portrait of a country's decade, even one apparently so self-contained as Britain in the Eighties (the subtitle of this book), is an ambitious undertaking. It requires the artist to erect a framework, to present a hypothesis, and to force a synthesis on a mass of disconnected events, places and people. Even if he or she has no political axe to grind, it is hard to see how the job can be done without a point of view — or even a smattering of prejudice.

Linda Christmas opens with the declaration that she carries no political baggage. More's the pity. It allows her to tour the country with an open mind, but it is the open mind of the leisure-class party hostess who has failed to come to grips with her own country. Despite all the hard-won admiration at her disposal and despite a discriminating eye for physical detail, she or her editor have allowed the paint to obliterate the truth.

The result is a photograph album of a journey, a collection of newspaper articles, rather than a book. Where the picture is the point of the story, the stream of reporting flows well, especially in the account of her visit to Northern Ireland. But it also includes a

Christian Tyler

CHOPPING DOWN THE CHERRY TREES
by Linda Christmas
Viking £14.99, 310 pages

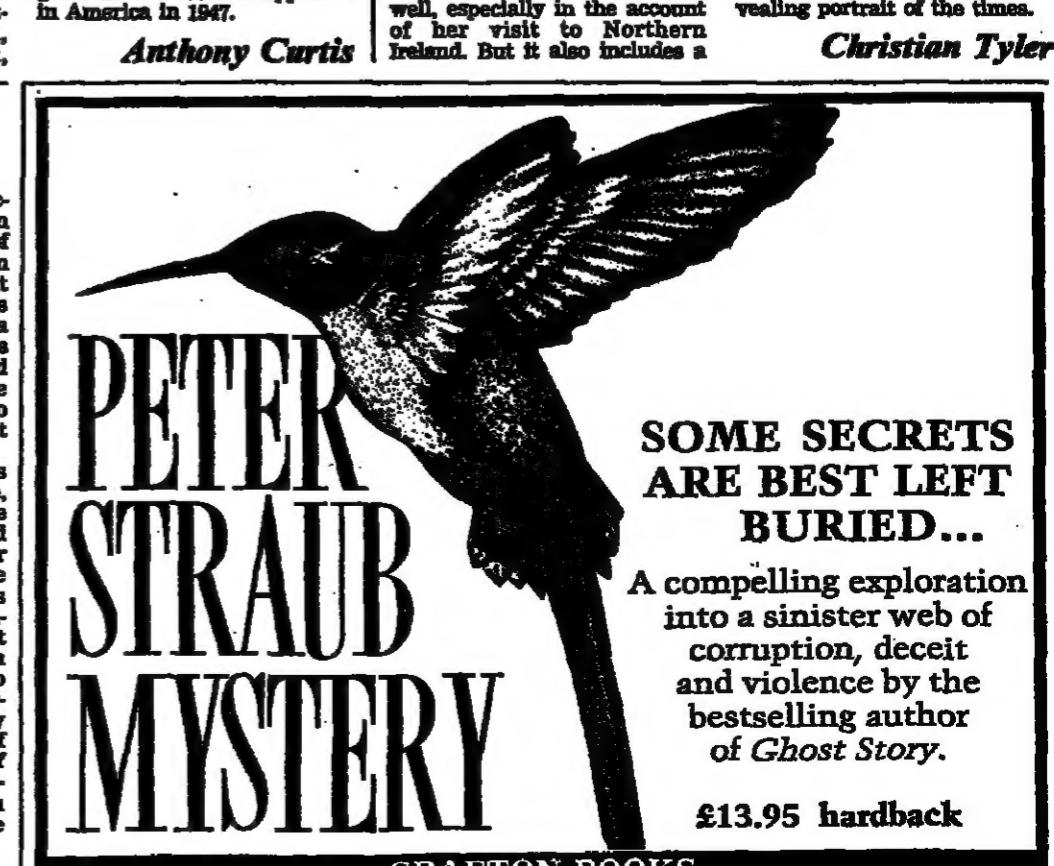
lot of redundant narrative — details of bus journeys, hotels, people she meets on the road — which distract us from the theme of each chapter.

Some of the digressions read like a child's guide to contemporary history, as in the account of the SDP breakaway: others are just innocent; and some are padding paragraphs of quoted speech just tipped out of the notebook tape-recorder onto the printed page.

The author, who has already written a praised book on Australia, has somehow failed to come to grips with her own country. Despite all the hard-won admiration at her disposal and despite a discriminating eye for physical detail, she or her editor have allowed the paint to obliterate the truth.

The ultimate unconvincing and inconclusive, this book is a description of Britain in the Eighties, mainly. But it cannot claim to be a character-revealing portrait of the times.

Anthony Curtis



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GRAFTON BOOKS

Count
Panza's
gift

THIS DO the maddest opera productions in France. Take the new *Meistersinger* at the Châtelet, which comes mid-season in the activities of the Théâtre Musical de Paris, Jacques Chirac's municipal base for opera, music, and dance. The means were fully provided for a solidly authoritative account of a score long unheard in this city. Max Janovszky, an internationally admired Wagnerian conducting his home orchestra, the French Radio Philharmonic, and the French Radio Chorus, and a cast led by José van Dam. The theatre has been restored and, though "acoustically" a bit "close" for mature Wagner, is a joy to visit.

But the production junks the various advantages, planned or built-in: a more frustrating Wagner performance I have not attended. The producer, Claude Régis, is a distinguished man of the theatre acclaimed for his Paris stagings of Pinter, Sartre and Duras - a natural for *Meistersinger*, n'est-ce pas? He feels that there is far too much realism in opera in general, and in this opera in particular. (I offer grateful thanks to an interview in the excellent Paris monthly *Opéra International* for elucidation on what M. Régis was up to.)

So out of Roberto Piat's single set, a beautiful grey-marbled mausoleum, went any reference to Nuremberg. In its place came hieratic gesture, always conducted at snail's pace, in conditions of murky gloom while on a raised-stage area at centre-back highly symbolic doing - a naked Adam and Eve couple parading, a tutu-dressed ballerina and later a slow deposition of a green-tinted Christ-corps during the Festivite jollities, and much, much else - were enacted with fine art and complete irrelevance to the words.

Occasionally, to insert an alternative to aching physical slowness, there were bursts of slightly more energetic activity, such as the oriental fight with sticks by two muscled athletes during the Act 2 finale (rain poured down from the wings, and fire burst from the floor). Parallels between Sachs and John the Baptist were artfully explored: there was much refined attitude-striking. According to the producer, the audience already has a traditional presentation of this opera in its collective head and can "play" this against his own mythico-absurd-emblemic ritual.

The problems caused by the producer's Wagnerian beliefs and viewpoint proved manifold. They amounted, indeed, to a self-erecting edition of the worst sort, which marginalised all but Regis' acolytes in the audience; and they appeared to spring not from a "critical" confrontation of the opera, a present-versus-past examination of the core issues raised (such as can be appreciated and respected in the various polemical German Wagner stagings of the postwar period), but from the purest aesthetic dandyism. If one of Molé's more stately *préteuses ridées* had decided to mount *Die Meistersinger*, a not too dissimilar result might be imagined.

Worst of all, the act of denying, for whatever reasons of intellectual purity, a comedy its comic essence is an act of audience provocation. "Le Bluff," one Paris newspaper called it and, as ever, the Paris audiences were not slow to respond - boos marked each curtain-fall, cries of "Bravo Gisèle!" and "Sortez Monsieur le cadavre!" rent the air in Act 3, and loud laughter greeted some of the more far-fetched symbolism.

'Le Bluff' receives the boos

Max Loppert reviews two very different *Meistersingers*



No bows here: Hans-Günter Nitsch, a classic Beckmesser, is La Scala's first production of *Die Meistersinger* since 1982

A good Paris *scandale* is always an enjoyable outing, but I was hard to imagine what effect all this brouhaha must have having on the music-making. Janovszky's account of the score, expertly paced, did seem unusually boisterous, quite unrelated to the traced activities on stage, and quite lacking in the warmth and deep-toned richness normally associated with this opera.

The singers, required to do so little, were probably able to conserve vocal energies more conservatively than in a "real" performance. I have never heard Sachs's music sung more beautifully, more nobly, with fine steadily-sustained, or greater resources of melancholy poetry, than it was here by Van Dam, a great singer in his prime. He was not moving, but one hardly expected him to be, here. Lucia Popp's Eva, in spite of one or two edge outbursts, sounded wonderfully fresh: the Walther of Norbert Orth (a quondam light tenor who has now taken on heavier German roles) managed with easy address, if no very impressive range of tone or dynamics. In a generally sound cast the Beckmesser of Eike Wilm Schulte was outstanding, strong, pointed, characterful,

strongly, and with a clear sense of the dramatic needs of the piece. The Paris audience was not slow to respond - boos marked each curtain-fall, cries of "Bravo Gisèle!" and "Sortez Monsieur le cadavre!" rent the air in Act 3, and loud laughter greeted some of the more far-fetched symbolism.

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to be entirely straitjacketed by one producer's intellectual posturing. It was, nevertheless, a restorative tonic as well as a privilege to move on to Milan, where two days later there opened the first *Meistersinger* at La Scala since 1982. Under Wolfgang Sawallisch the orchestra played with splendour; in this great theatre I'd rather hear Wagner here than anywhere else in the world. There was space for the instrumental sound, and with it that incomparable projection of the voices that needs no Bayreuth-style damping-down of the pit. Sawallisch, not a broad Wagner conductor in the old style, is now a complete master: everything he does seems unfurled, balanced, and simply right.

The production, by Niklaus Lehnhoff (in charge of Glyndebourne's Janacek), answered the musical strengths. It is a clever blend of tradition and modern reassessment. It is very funny (and not just by comparison with the Châtelet); it is also full of ideas, all of them lively, one or two of questionable value (such as the "relevant" mix of modern and ancient dress in the finale, which is becoming a 1980s producer's cliché), and full of insight into character.

Bernd Weikl (Sachs), Hans-Günther Nöcker (a classic Beckmesser), Nancy Gustafson's bonny, full-voiced young Eva, and Robert Gambill's charming David are encouraged to play to each other with exquisitely verbal deftness. In ideal terms - and it must be said, by the side of Van Dam - Weikl (who comes to play Sachs in London next month) lacks vocal gravitas, but not commanding stature; he holds the centre of this large stage with complete confidence.

But the great joy of the experience was the introduction to the Walther of Ben Heppner, a tall, chunky young Canadian who is set to take the world's Wagner stages by storm. Two years ago, while visiting Melbourne during the Australian bicentenary, I praised his Strauss *Bacchus* for its enormous promise; this Walther shows its realisation. His German is excellent (Bacchus was no fluke), his personality genuinely theatrical, and his young-heroic tenor pours out tirelessly, ringing, with blessed natural musicianship, in long-breathed, golden phrases that had one reaching for hasty comparisons with Melchior.

I've not heard a Walther to touch him. Even the Milaneses - those who lasted to the very end, that is, suffered the rough ride normally reserved for non-Italian tenors was obviously quite untenable.

Max Loppert

THE STORY has been recounted often enough to inspire every sixth-form poet with visions of instant fame and fortune - how but for good fortune and a peripatetic agent Tanita Tikaram would now be well into an Eng. Lit. course at Manchester University instead of in the midst of a 12-month world tour to promote her second album, *The Sweet Keeper*.

She got there, first time round, on the simple, fresh strengths of her songs and an wide-open niche in the market: when the new crop of American female singer-songwriters - Vega, Chapman, O'Hara - began to make waves there

with voice and words to a self-sacrificing degree.

A waste of time? Not so, this opera, even when kept thus under dramatic wraps, is simply too vast and life-enriching



Robin Chadwick, Stewart Granger, Glynn Johns and Roma Downey in Somerset Maugham's 'The Circle'

Fool into drag queen

Alastair Macaulay finds New York theatre horridly irresistible

NEVER MIND the London exports in New York theatre (*Miss Saigon* signs are now up everywhere; *Les Misérables*, *The Phantom of the Opera* and the *Peter Hall Merchant of Venice* are all going strong). New York theatre has its own home-made versions of England. These are uniquely American and, to an Englishman, horribly irresistible. While in New York recently, I caught two such: down at the Triplex, the *Mabou Mines*' version of *Lear*, set in the American South in the late 1850s with all the sexes reversed, and, up at the Ambassadors Theatre, Somerset Maugham's *The Circle* with Rex Harrison, Glynn Johns and Stewart Granger.

Here's the *Mabou Mines*' recipe. Take a famous play (*King Lear*), reverse the sex of every character (the Fool becomes a drag queen), he sings ("Cos I'm a woman") at first entrance) and alter its locale and time beyond all reasoning (*Smynra, Georgia*, in the 1950s). Cast a lot of leading lights of experimental theatre (Black-Eyed Susan is Albany, Ruth Maleczek is Lear.) Change words (Goneril's "Idle old man" becomes "Withered old bag") and ignore scansion. Put microphones by everyone's mouths (they look like Apache scars), to amplify the sound and displace the voices, but allow the cast to mumble and leave several words and lines inaudible.

It never succeeds as Shakespeare, but at first it half works as some sort of Tennessee Williams tale of a Southern matriarch and her three sons. Casting black actresses as Gloucester, Edgar (Edna) and Lear (Wilda) adds some class tension - not often appropriate to the plot, but never mind. Goneril (Glyn) is, however, a platinum blonde gold-digger. Lear, set in a dog-lover, she pleads with Goneril and Wilda for numbers not of servants but of dogs. Kent had begun in matching tweed skirt and jacket, with hat and curlicue, but as all the doom piles up and all the men die, she and all the other women - those who survive and those don't - start wearing the pants. Cornwall is a vindictive

lesbian with the hots on Wilda and Elva. Regan and Elva have sex in one of the production's half-dozen stage cars. Confused? You won't be . . .

But you will be, for confusion is part of the staging's point. The more displaced Lear and his/her England becomes, the more *Mabou Mines* displaces Shakespeare and, for that matter, sense. Ah, destruction, ah, post-modernism. The big speeches are delivered either with palpable insincerity or like moaning arias. Finally, however, the production drowns under the booming groan of Pauline Oliver's conventionally movie-type score.

Lear is the kind of thing England never sees. *The Circle*, with such a cast, and Desmond Rutherford's handsome set, would probably draw audiences in the West End. Perish the thought, though.

How smart to cast Glynn Johns and Rex Harrison - veterans whose fame is all to do with suave urban command - as Lady Catherine Champion-Cheney and Lord Porteous, who've been exiled for decades from English society. (Johns is *playing* mutton dressed as lamb.) The roles almost disarm you from objecting to how despectively out-of-it they seem. As Clive Champlon-Cheney, Stewart Granger - a younger man - from an even more remote galaxy - makes his Broadway debut. Same trick: since Champion-Cheney is an English gent who's long been out of circulation, you almost feel comfortable that that's how Granger seems too.

Cosy, posy, dozy. Everything is very audibly muted, and everyone pauses to allow the audience to rest - except for the Big Scene, where, with all too plain a change of gear, everything slams into something resembling fluency. All this talk of unhappy marriage is simply too darning.

So enough of England; New York has done better by it before, and will do so again. P.S. 122, far down First Avenue, is a well known for performance art. (P.S. for Performance Space.) I attended *If Men Could Talk, The Stories They Could Tell*.

Richard Elovich's one-man, one-hour show . . . Elovich plays Danny Glick, fighting through AIDS, drawing on the support of his doctor, an Auschwitz survivor, and that of a friend who dreams of moving like Tina Turner. Illness here, death, fear to the other. AIDS is a standard theme now in downtown New York theatre and dance, and Elovich's handling of it is not crass. But the piece founders on sheer lack of show technique. His verbal pacing is too monotonous to sustain interest for more than the first 30 minutes.

The last theatre I caught was far the best - *Jean Darlin*, a minor marvel by Julian Taymor (who directed) and Elliot Goldenthal presented at St Clement's Church by the Music-Theatre Group. To say that this is "about" a tiger-cub suckled, reared and educated as a human in a South American town - it's like *The Jungle Book* in reverse - is too simple. It's about theatre itself, and it is busily alive with delight in visual effects, storytelling, emotion, contrast. This is a beautifully mobile show; it keeps moving, and it keeps changing its grasp on you. Devicats often dismal in the theatre - tiny, 2-D silhouette puppets; life-size 3-D dolls moved by black-garbed masked Bunraku puppeteers; wooden face-masks - all become part of a rich fabric of illusion and shifts of scale.

You are kept rapt by one surprising detail after another. The flight of a dragonfly. A night swarm of moths drawn to a light. The large picturesque model of a hillside town, with a tiny procession moving up it, graves studded the path. A huge schoolmistress whose hair is a page of a book. A schoolroom globe that spins, glows and reveals, within, the growth of an orchid. The main contrast that underpins *Jean Darlin* is the oldest of all - that of life and death; and in its celebration of beauty and experience it transcends the savagery of its story. It proves both life-affirming and life-enhancing.

Sixth-form singer-poet

lyrics didn't bear the closest inspection.

Now, though, she needs something more, and as *The Sweet Keeper* suggests, and the show at Hammersmith Odeon on Thursday confirmed, that something has yet to arrive. None of the new material has the immediate tang of songs like "Twist in my sobriety" and the verbal invention, forcing words into phrases where

they really won't fit, is just contrived second time around. When Tikaram lifts the tempo the effect is oddly embarrassing, like a gawky child decked in a party dress several sizes too large; there's nothing instinctive about it, nothing to hint at another vein about to be mined in her songs.

But somehow she has managed to keep the image pristine: the slight figure in the tailored black trouser suit fronting an expert and tactful band really does still suggest the intelligent sixth-former catapulted into the wide world to offer her own simple philosophy on life, love and the unfairness of it all. No one has tried to stick down her stage act or beef up the cringe-making asides to the audience: they're evidently now too much part of the package. Nor can one report that the audience adored it all; the occasional screams seemed ritualised, the outbursts of rhythmic clapping invariably pattered out within a few bars.

As an occasion it was flat and unresounding, but then I'm sure she is a very nice girl.

Andrew Clements

Gracious lady

DIONNE WARWICK, a gracious and elegant lady, is currently over here to sell five records. Her place in pop history is secure thanks to those romantic ballads written for her by Burt Bacharach in the early 1960s - "Walk on by," "Anyone who had a heart" - songs of lost love which launched the careers of Dusty Springfield and Cilla Black who did hamfisted cover versions of Dionne's Stateside hits.

She long ago sold out to cabaret, and her Palladium concert on Thursday was a sadly stale affair. The stage groaned with musicians - dozens of fiddlers, stacks of brass, when Dionne Warwick, who still has perfect phrasing and a faultless voice, only rarely needs her rhythm section.

The performance was conventional to the point of stupor. The only moment of drama was when she sang, without blushing, a duet with Jeffrey Osborne who was only present on tape. There were two songs from their latest latest album which needed a

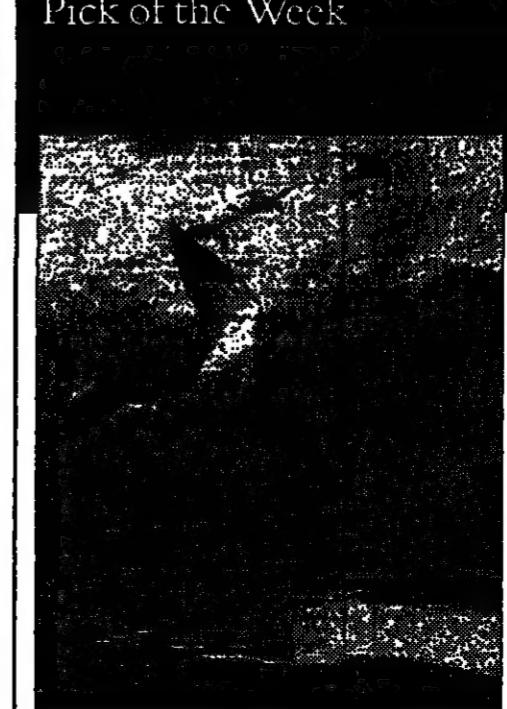
plug: the early hits had been quickly despatched in a medley.

She is an obviously nice lady, now rather at odds with her material. One quite can't imagine her losing out so repeatedly in the love stakes. But she should soon be over such nonsense and as she puts on her specs to read the lyrics to her latest single, "Walk away," you could see her easing into an *Ella Fitzgerald*-like stateliness.

Her fans seem loyal enough, paying vast sums for little over an hour of music, and they responded well to her more positive climax when she let us know that it was friendship that survived and we were her friends. Just as the tempo quickened and Dionne opened her lungs for "Walk on by again" and other earworms, she was off. The curtain dropped; the house lights glared; and the audience, and the evening, disappeared as quickly as if it had never been.

Antony Thornicroft

Pick of the Week



CHRISTIE'S

THIS OUTSTANDING WORK by Archibald Thorburn is one of twenty by the artist included in the sale of Drawings, Watercolours and Pictures of Birds at Christie's, King Street on Friday, 2 March at 11.00 a.m. Archibald Thorburn (1860-1935) was probably the most accomplished bird painter of the 20th century, and has had a profound influence on many other English artists who have specialised in this popular theme. The sale will include a variety of subjects, such as game birds, waterfowl and birds of prey, by a wide range of artists including Philip Rickman, George Edward Lodge, John Cyril Harrison and Wimifred Austen.

For further information on this and any other sales in the next week, please telephone (01) 639 9060.

8 King Street, London SW1
85 Old Brompton Road, London SW7
164-166 Bath Street, Glasgow

B.A. Young

Archibald Thorburn: Mallard coming in from the Sea, signed and dated 1905, watercolour and bodycolour, 30 x 22 in. Estimate: £12,000-18,000

SPORT

Bashing the bookies at unlovely Lingfield

Michael Thompson-Noel goes all-weather racing and leaves happy

I ARRIVED at Lingfield racecourse in the perfect frame of mind. It was a bleak and grey Tuesday with dead clouds about and a tempest in the offing, but I was wearing my impresario's coat and carrying the raffia attache case they gave me in Barbados. It bears the words "Royal Visit," stitched on the side in blue, and is extraordinarily useful for transporting £10 notes. Consecutively numbered notes. Bound with rubber bands. Serious racing money. Strictly for professionals.

I never show a bookmaker a £10 note. A £50 would be ridiculous. Show a grasping bookie a high-denomination note and he will recognise a fool and inflate his odds accordingly — or make off down the track as fast as his legs can carry him. It is the tanners that tend to terrify them. Bound with rubber bands. Serious racing money.

What had taken me to Lingfield was an urge to watch a bit of all-weather racing on Lingfield's artificial surface, which goes by the name of Equirail. So far, the only other artificial track on which English horses race is the Fibresand one at Southwell.

At the time, these new-fangled tracks sounded like a good idea — which was that in the depth of winter, when racing is often abandoned because of frost, floods or snow, there

would be some sort of racing somewhere so that the punters in the off-track betting shops — who are basically mindless Charles — would have something on which to gamble so as to prop up the bookies' turnover which drip-feeds the Betting Levy Board. It is on Levy Board hands-out that racing depends for its existence.

Gambling in betting shops is taxed quite severely, whereas gambling at the racetrack is exempt from betting duty. But you have still got to get there, and that can be expensive. To get to Lingfield, I laid out £15.80 in train fares. I also spent 50p on the *Sporting Life*, £2.20 for *Timeform's* ratings, 25p for clubhouse entry, 21p for lunch (crab claws and prawns) in the Barrie Cope Seafood Bar, and £1.05 for coffee and cake (I imagine that the FT's Finance Department, as it likes to call itself, will ring down and question these figures impertinently, but you cannot do things on the cheap: not at the track, you can't).

Having gathered my wits, I surveyed the scene about me. The first thought that struck me was how dreadful Lingfield looked. It used to be a nice course. Now it looks a mess, a bit like an abandoned aerodrome. There are huts and buildings everywhere, including a grim motel.

And then I started to wonder: where were all the people?

The place seemed deserted. Was the whole thing artificial, a complete fabrication with only one aim in mind: to provide ultra low-rent action for the benefit of the betting shops?

The first race was billed as the Margery Allingham Handicap, a two-mile event for four-year-olds and up. If you know a bit about racing, you will appreciate that to kick things off with a two-mile handicap can be a terrible shock to the system. You need to have got your eye in for a two-mile handicap. To find out why anyone would call a race the Margery Allingham Handicap, I went in search of the clerk of the course, the amiable Geoff Sticks. In my notebook, all clerks of the course are amiable, just as all trainers are eccentric, all jockeys wizened, and all bookmakers legitimate targets for railraiders.

Sticks was certainly amiable, claiming that all-weather racing — Tuesday marked the 31st of 40 days' racing scheduled this winter on Lingfield's Equirail — was here to stay. "We are very pleased," he said. "We would have liked bigger crowds, of course, but we only budgeted for 500 and have been averaging 400 per day. The winter has been mild, so the benefits of the artificial track have yet to be fully appreciated. The flat races at Lingfield have produced some

extremely exciting finishes, and the form works out well. There are probably more true-run races on this surface than on turf. There have been plenty of winning favourites, which is good for professional backers."

But what about Margery Allingham? He told me: "We've had very few sponsors so far, but we've got to call the races something. We've done rivers and flowers, for example. Today, it is a thriller writer." As a result, Lingfield on Tuesday had races named after Dorothy Sayers, Helen MacInnes, Evelyn Anthony, Agatha Christie and Georgette Heyer, as well as Miss Sticks. In my notebook, all clerks of the course are amiable, just as all trainers are eccentric, all jockeys wizened, and all bookmakers legitimate targets for railraiders.

Before the first race, I went in search of a bookmaker blowing his nose without using a handkerchief, in order to prosecute him with my wager. I found one straight away. But my sleuthing through the form book proved wide of the mark and I lost my opening bet. From then on, however, I started to win in style. I will not specify my winnings, for they cause envy and despair. But I am happy to describe them in terms of BBUs (Big Betting Units).

On the first race, I lost two BBUs. On the second, I won 2.5 BBUs by shrewdly coupling Murrin with Joyful Kate in the tote forecast, which paid 5.4-1. The third race looked



Racing on Lingfield's all-weather surface: "The benefits have yet to be fully appreciated," says clerk of the course Geoff Sticks

really tricky. As the tote explained: "The fact that all six runners wear either blinkers or a visor suggests they are not the most reliable bunch." That was putting it mildly. I studied them in the paddock. An odder bunch of racehorses you would not wish to meet. I had nothing to do with them.

The fourth race made my fortune. It was the Evelyn Anthony Handicap for four-year-olds and up over seven furlongs. Casting caution to the wind, I wagered numerous BBUs on Merseyside Man, a natty bay gelding by an Ameri-

can sire which rocketed home to the winner at 7.2 favourite. That was with the bookies. I used the tote, which paid 4.2-1. During the course of the afternoon, the tote paid more generous odds than the bookies on five out of six races. The bookies should be ashamed. I lost moderately on the fifth race and left the track before the sixth. My profit on the day was 7.5 BBUs. Return on capital employed: 75 per cent. A lot better than Sock Shop.

The racing was exciting, even though the horses were strictly bottom drawer. Two

races were won by a head and another by a neck, and there were three winning favourites. But does artificial racing have a future in England? Views differ greatly. One important bookie told me that he doubted if it would survive. Crowds were very small. Business was much too slack.

Whether artificial racing survives in England will be determined by the off-track masses and by the big betting shop groups. Myself, I rather like it. I enjoyed my trip to Lingfield. I have got the BBUs to prove it. Packed in a smart attache case. Bound with rubber bands. Ready for the next time.

WHEN Radu Demian walks into his office in a purpose-built block in the centre of Bucharest, he no longer has to look over his shoulder. The Securitate, the dreaded secret police, are gone — at least from view. Even better, he will at long last be able to accept invitations to play abroad. This is his version of Paradise, as head of the Romanian Rugby Federation since last month, he is now free to do almost exactly what he wants.

This is something of a change from the days of the Ceausescu regime when all sporting activities, clubs and federations were under the direct supervision of the National Council for Sport (NCS). "It hardly mattered what decisions we made, there was no question of autonomy," says Demian, a tall,

stocky man who spent many of his 51 years on the rugby pitch. During the early years of the Ceausescu regime, things were not so bad for the Rugby Federation and the 200 clubs for which it is responsible. Indeed, Demian speaks with a certain nostalgia of the years between 1965 — when the Ceausescu took power — and 1972. "At the beginning of the Ceausescu era, we had no difficulties in playing abroad. In 1971, our relations with the UK really improved. Our players were even allowed to play and work there. Travel was not a problem." He lists names of top-flight Romanians who turned out for west European clubs: Valeriu Irimescu, Mihai Vusek, Paul Ciobanu — even Demian himself, who once played for a French side.

"They were the good old days,"

he says. No-one thought of defecting: what was the point when young players could come and go as they pleased. But in 1973, two years after Nicolas Ceausescu returned from a trip to China (which, as it turned out, was to influence his particularly oppressive style of rule), rugby, like all other sporting activities, was brought under the official thumb of the NCS.

Demian reckons Ceausescu did not want players (or, for that matter, any Romanians) to become infected with the germ of democracy; thus, he banned them from travelling. "It was demoralising," he says. Inevitably, the quality of the

game suffered — especially as several leading players, whose clubs were lucky enough to get permission to play in other countries, took the chance to defect.

These included Octavian Morariu and Constantin Laurentiu in 1987, and Cristian Raducanu in 1989 (he is now playing for the Bournemouth club in Edinburgh although the Bucharest rugby authorities made clear this week that he was welcome to return).

Ceausescu did not, however, ban visiting teams, which always brought presents for their hosts. "They gave us shirts and rugger balls. We simply did not have any

decent sports gear, not even cotton shirts," explains Demian. That was due to Ceausescu's obsession with repaying Romania's foreign debt at breakneck speed. The upshot was that, without proper gear, Romanian rugby hit bad times. Indeed, the federation was unable even to pay its dues of FF120,000 to the International Rugby Board. The legacy remains: "In the storehouse now," Demian says, "we have about 100 pairs of rugby boots and about 800 balls to go around 7,000 players."

Two of Romania's clubs did not, however, share in the general malaise. These were Dinamo and Steaua, "managed" respectively by

the Ministry of Interior and the army. Other players roll their eyes in envy as they recount the privileges handed out to these teams. Money was available, equipment good, transport comfortable and the food "so much better" than that for ordinary people. Dinamo and Steaua players even got flats from their clubs — a luxury about which many Romanians can only fantasise. "All their social problems were taken care of," says Demian. Not surprisingly, the country's best international players came from Dinamo and Steaua.

Despite the privileges, even these clubs had their "minders" whenever they played in the West. Demian recalls: "The teams were accompanied by certain people who had a vague and undefined task in physically preparing the players." They

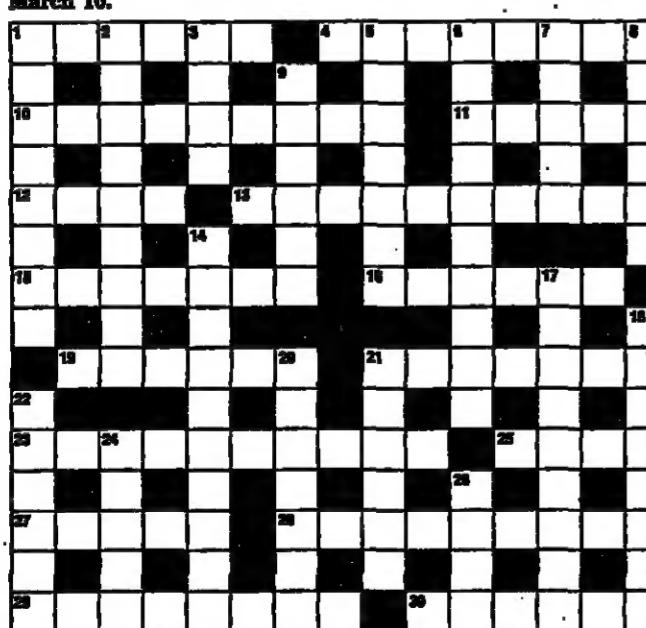
did nothing but everybody knew they were the Securitate. These people were generally excluded from the team, who had as little possible to do with them.

Now, though, after just a month in his job and two months since the overthrow and execution of the Ceausescu, Demian has other thoughts on his mind. With Romania allowed to travel and hold foreign currency — previously a crime — the Rugby Federation is taking full advantage. It is looking for sponsors from abroad to build up its clubs with new equipment. "Just think," he says. "For the first time in years, we can answer positively to the invitations. And come the World Cup next year, I am telling you — we'll be ready."

Judy Dempsey

CROSSWORD

No. 7,173 Set by DINMUTZ
Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday March 7, marked Crossword 7,173 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday March 16.



ACROSS

1. Sloppiness of kiss in Italy, perhaps? (5)
4. Double ground-rent deposit put down for a Polynesian skirt (4-4)
10. Australian can attack this sun-tanned creature (5-4)
11. Name of TV film crew (5)
12. Ready to do your pinst? (4)
13. But it is not the material of war medals (5,5)
15. Pig's foot seen on American race-track? (7)
16. Cards of the future? (5)
17. Bell-ringer, female perhaps, putting on weight (6)
21. One who fishes on fire of January is a quarrelsome type? (7)
23. Di Spenser joined up at one? (6)
25. Surprised to see silver go back (5)
27. Dramatist in the same place, next to mure? (5)
28. Anti's union turning-out, sounding as one? (5)
29. Hood could be strange after midnight (8)
30. A dash put in a cocktail shaker? (6)

DOWN

1. Free party cut short by note (5)
2. Oxyphenonium derivative of a wood-tapper? (5)
3. Trifles could be tops, for example (4)
5. Draw up army leaflet? (7)
6. Water lily blish! (10)
7. Benefit as agreed upon? (5)
8. Early terrorist who made a Manx race all hell? (6)
9. In which striker is not back at work? (5)
14. Do bank tellers prepare them? (10)

Solution to Puzzle No. 7,172

BBC1

In the continuing series of films by Robert Altman, *From Dusk till Dawn* starring Iggy Pop and George Sanders, 2.30pm Sunday 11th February.

LONDON

6.00pm TV-am Breakfast Programmes. 6.25 Children's TV; 6.30-6.45 *Young at Heart*; 6.45-6.55 *World of Weather*; 6.55-7.00 *Playtime*; 7.00-7.15 *Cartoon Corner*; 7.15-7.30 *TV Chart Show*; 7.30-7.45 *ITV News*; 7.45-7.55 *Weather*; 7.55-8.00 *ITV News* and *Weather*; 8.00-8.15 *ITV News* and *Weather*; 8.15-8.30 *ITV News* and *Weather*; 8.30-8.45 *ITV News* and *Weather*; 8.45-8.55 *ITV News* and *Weather*; 8.55-9.00 *ITV News* and *Weather*; 9.00-9.15 *ITV News* and *Weather*; 9.15-9.30 *ITV News* and *Weather*; 9.30-9.45 *ITV News* and *Weather*; 9.45-9.55 *ITV News* and *Weather*; 9.55-10.00 *ITV News* and *Weather*; 10.00-10.15 *ITV News* and *Weather*; 10.15-10.30 *ITV News* and *Weather*; 10.30-10.45 *ITV News* and *Weather*; 10.45-10.55 *ITV News* and *Weather*; 10.55-11.00 *ITV News* and *Weather*; 11.00-11.15 *ITV News* and *Weather*; 11.15-11.30 *ITV News* and *Weather*; 11.30-11.45 *ITV News* and *Weather*; 11.45-11.55 *ITV News* and *Weather*; 11.55-12.00 *ITV News* and *Weather*; 12.00-12.15 *ITV News* and *Weather*; 12.15-12.30 *ITV News* and *Weather*; 12.30-12.45 *ITV News* and *Weather*; 12.45-12.55 *ITV News* and *Weather*; 12.55-13.00 *ITV News* and *Weather*; 13.00-13.15 *ITV News* and *Weather*; 13.15-13.30 *ITV News* and *Weather*; 13.30-13.45 *ITV News* and *Weather*; 13.45-13.55 *ITV News* and *Weather*; 13.55-14.00 *ITV News* and *Weather*; 14.00-14.15 *ITV News* and *Weather*; 14.15-14.30 *ITV News* and *Weather*; 14.30-14.45 *ITV News* and *Weather*; 14.45-14.55 *ITV News* and *Weather*; 14.55-15.00 *ITV News* and *Weather*; 15.00-15.15 *ITV News* and *Weather*; 15.15-15.30 *ITV News* and *Weather*; 15.30-15.45 *ITV News* and *Weather*; 15.45-15.55 *ITV News* and *Weather*; 15.55-16.00 *ITV News* and *Weather*; 16.00-16.15 *ITV News* and *Weather*; 16.15-16.30 *ITV News* and *Weather*; 16.30-16.45 *ITV News* and *Weather*; 16.45-16.55 *ITV News* and *Weather*; 16.55-17.00 *ITV News* and *Weather*; 17.00-17.15 *ITV News* and *Weather*; 17.15-17.30 *ITV News* and *Weather*; 17.30-17.45 *ITV News* and *Weather*; 17.45-17.55 *ITV News* and *Weather*; 17.55-18.00 *ITV News* and *Weather*; 18.00-18.15 *ITV News* and *Weather*; 18.15-18.30 *ITV News* and *Weather*; 18.30-18.45 *ITV News* and *Weather*; 18.45-18.55 *ITV News* and *Weather*; 18.55-19.00 *ITV News* and *Weather*; 19.00-19.15 *ITV News* and *Weather*; 19.15-19.30 *ITV News* and *Weather*; 19.30-19.45 *ITV News* and *Weather*; 19.45-19.55 *ITV News* and *Weather*; 19.55-20.00 *ITV News* and *Weather*; 20.00-20.15 *ITV News* and *Weather*; 20.15-20.30 *ITV News* and *Weather*; 20.30-20.45 *ITV News* and *Weather*; 20.45-20.55 *ITV News* and *Weather*; 20.55-20.60 *ITV News* and *Weather*; 20.60-20.75 *ITV News* and *Weather*; 20.75-20.90 *ITV News* and *Weather*; 20.90-21.05 *ITV News* and *Weather*; 21.05-21.20 *ITV News* and *Weather*; 21.20-21.35 *ITV News* and *Weather*; 21.35-21.50 *ITV News* and *Weather*; 21.50-21.65 *ITV News* and *Weather*; 21.65-21.80 *ITV News* and *Weather*; 21.80-21.95 *ITV News* and *Weather*; 21.95-22.10 *ITV News* and *Weather*; 22.10-22.25 *ITV News* and *Weather*; 22.25-22.40 *ITV News* and *Weather*; 22.40-22.55 *ITV News* and *Weather*; 22.55-22.70 *ITV News* and *Weather*; 22.